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TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1944

No. 71.

ROSCOE A. COFFMAN, APPELLANT,

vs.

**BREEZE CORPORATIONS, INC., AND THE UNITED
STATES OF AMERICA**

**APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE DISTRICT OF NEW JERSEY**

FILED APRIL 28, 1944.

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**IN DISTRICT COURT OF THE UNITED STATES FOR
THE DISTRICT OF NEW JERSEY**

Civil Action No. 3289

ROSCOE A. COFFMAN, Plaintiff,

vs.

FEDERAL LABORATORIES, INC., a Corporation of the State of Delaware, and Breeze Corporations, Inc., a Corporation of the State of New Jersey, Defendants

COMPLAINT

1. Plaintiff Roscoe A. Coffman is a resident of Las Vegas, Nevada, and is a citizen of the State of Nevada. Defendant Federal Laboratories, Inc. is a corporation organized and existing under the laws of the State of Delaware; defendant Breeze Corporations, Inc. is a corporation organized and existing under the laws of the State of New Jersey, having its principal place of business in the City of Newark, County of Essex and State of New Jersey, and is the owner of all the common capital stock and a majority of the preferred stock of the defendant Federal Laboratories, Inc. and is in full and complete control thereof. The amount involved in this action is in excess of \$3,900.00 exclusive of interest and costs.

2. Plaintiff is the sole owner of the Letters Patent described in the second paragraph of the License Agreement hereto annexed and marked Exhibit "A", all relative to improvements in starting motors, and shells for use therewith. Said patents are extremely valuable. The starters therein described are necessary and are used on a very large percentage of aircraft being used by the United States and its Allies in the present war. Said starters are set in motion by the explosion of the shells likewise covered by said patents, the motor being started, not by an explosion resulting from the discharge of said shells but by the control of the gases generated from the burning of the charge contained in the shells controlled in the manner and method described in the patents.

3. That on December 8, 1932, plaintiff and defendant Federal Laboratories, Inc. executed and delivered the Li-

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License Agreement, a true copy of which is annexed hereto, marked Exhibit "A", and made a part hereof for certainty of allegation. Plaintiff alleges that after the execution and delivery of said License Agreement, Exhibit "A", the defendant Breeze Corporations, Inc. purchased all of the outstanding common capital stock of defendant Federal Laboratories, Inc., and by virtue of said stock ownership elects the officers and directors of defendant Federal Laboratories, Inc. and fully controls its practices and policies.

4. The plaintiff alleges that prior to the month of July, 1937, defendant Federal Laboratories, Inc. entered into an [fol. 4] agreement with defendant Breeze Corporations, Inc. whereby defendant Breeze Corporations, Inc. undertook to perform the terms of the agreement hereto annexed as Exhibit "A". Plaintiff was not a party to said agreement.

5. At the time of the execution of said agreement, Exhibit "A" annexed hereto, on December 8, 1932, defendant Federal Laboratories, Inc. was in a position to and did make the manufacture and sale of the Coffman Starter, described in said agreement, its primary business. Plaintiff alleges that defendant Breeze Corporations, Inc. purchased the outstanding common capital stock of Federal Laboratories, Inc. for the purpose of securing control of the manufacture and sale of plaintiff's starters and shells mentioned in said agreement Exhibit "A".

In September, 1937, the defendants commenced arbitrarily deducting from remittances of royalties to plaintiff 25% thereof on each accounting period. Plaintiff never acquiesced in said deduction and made it a practice in cashing royalty checks to note on the back of the checks prior to his endorsement that they were accepted under protest.

6. Plaintiff alleges that after Breeze Corporations, Inc. acquired control of defendant Federal Laboratories, Inc., the latter ceased the manufacture and sale of the Coffman Starters, and defendant Breeze Corporations, Inc., started to manufacture and sell the same; that the defendants Breeze Corporations, Inc. and Federal Laboratories, Inc. having refused fully to account to the plaintiff and pay him for the royalties reserved in said agreement, Exhibit "A" hereto annexed, and having defrauded the plaintiff of

moneys due to him from the sale of certain rights under said patents to certain English companies, plaintiff commenced an action, known as civil action No. 1395, in February, 1941 in the District Court of the United States for the District of New Jersey against defendants Federal Laboratories, Inc. and Breeze Corporations, Inc. for an accounting of royalties under the said agreement marked Exhibit "A" hereto annexed, and also for the amounts due plaintiff in consequence of the frauds alleged in said complaint. A true copy of the complaint in said action and of the answer of the said defendant Breeze Corporations, Inc., is hereto annexed, marked Exhibits "B" and "C" respectively, and made a part hereof. Said action is at issue and on the calendar awaiting trial in due course. That in said action the court after hearing has ruled that the plaintiff shall be permitted to recover any and all royalties that accrue not to the date of the commencement of said action but to the date of the trial thereof.

7. That pursuant to an order of the United States District Court for the District of New Jersey the plaintiff has had accountants examining the books of the two defendant corporations for the purpose of determining the royalties due plaintiff under the terms of the agreement, Exhibit "A"; they have determined that the royalties due plaintiff from the two defendants to November 30, 1943 are approximately \$261,000.00, and that for the entire year 1943 they aggregate \$280,000.00 on starters, parts and shells combined.

8. Plaintiff further shows that on December 29, 1943 he received by registered mail at his home a certified copy of Royalty Adjustment Order No. W-9 issued December 18, 1943, a true copy of which is hereto annexed and marked Exhibit "D" and made a part hereof for certainty, under the terms of which, the War Department of the United [fol. 5] States acting pursuant to the terms and provisions of Royalty Adjustment Act 1942, Public Law 768, 77th Congress; 35 U. S. C. 89-96, has attempted to determine as follows:

"(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows: "

(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight (\$8) Dollars each, and

(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties;

but not to exceed the sum of Fifty Thousand (\$50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the War Department and the Navy Department, added together.

"(2) Until further Order, Licensee is hereby authorized to pay to Licensor, on account of any manufacture, use, sale or other disposition of said alleged inventions for the War Department heretofore occurred, or hereafter occurring while Sections 1 and 2 of said Act remain in force, royalties at the rate and not to exceed the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above-mentioned license agreement dated December 8, 1932, and

(b) any license or arrangement between Licensor and Licensee entered into on or after the effective date of said notice and during the time that Sections 1 and 2 of said Act remain in force which in any respect continues, supplements, modifies or supersedes the license referred to in subparagraph (a) hereof or the present arrangement under which said royalties are paid.

"(3) Licensee is hereby directed to pay to the Treasurer of the United States, through Commanding General, Army Air Forces Materiel Command, attention, Royalty Adjustment Board, Wright Field, Dayton, Ohio, the balance, in excess of the payments authorized by paragraph (2) hereof, of all royalties specified in the licenses or arrangements referred to in paragraph (2) hereof which were due to Licensor and were unpaid on the effective date of said notice, or since said date have or may hereafter become due to Licensor, on account of any manufacture, use, sale or other disposition of said inventions for the War De-

partment or the Navy Department heretofore occurred or hereafter occurring while Sections 1 and 2 of said Act remain in force; and demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor."

9. Plaintiff alleges that defendants Breeze Corporations, Inc. and Federal Laboratories, Inc., are indebted to the plaintiff under the terms of the license agreement, Exhibit "A" attached hereto, for royalties on Coffman starters, parts and shells for the calendar year 1943 approximately \$260,000.00, of which defendant Breeze Corporations, Inc. owes the plaintiff \$210,000.00, and defendant Federal Laboratories, Inc. owes the plaintiff approximately \$48,000.00.

[fol. 6] 10. Plaintiff further alleges that there has been received by him through the United States mails a copy of Royalty Adjustment Order No. N-7 approved by the Acting Secretary of the Navy December 23, 1943, identical in form with War Department Order No. W-9, a true copy thereof being hereto annexed, marked Exhibit E, and made a part hereof.

11. Plaintiff further alleges that neither defendant Federal Laboratories, Inc., nor defendant Breeze Corporations, Inc., has to the date of the filing of this complaint made payment to the plaintiff of the \$50,000.00 mentioned in Royalty Adjustment Orders Nos. W-9 and N-7, aforesaid, and particularly in paragraph (1) thereof, nor has either of said defendants made payment of any part of the balance thereof due the licensor, to the Treasurer of the United States or anyone else pursuant to paragraph (3) of said Royalty Adjustment Orders.

Plaintiff alleges that he is informed and believes that a meeting of the officers of the two defendant corporations, with their counsel has been called to be held in the State of New Jersey on the afternoon of this day, January 7, 1944, to consider what actions, if any, the defendants shall take with reference to said Orders and whether payment as required by paragraph (3) of said Orders shall be made to the Treasurer of the United States.

12. Plaintiff alleges that the Act of Congress above mentioned, being Public Law 768, 77th Congress (Chapter 634—2nd Session) is null and void and that the said Royalty

Adjustment Orders Nos. W-9 and N-7, dated December 18, 1943, aforesaid, made in pretended compliance with said statute are likewise null and void for the following reasons:

1. The Fifth Amendment of the Constitution of the United States provides that no person shall be deprived of life, liberty or property without due process of law; nor shall private property be taken for public use without just compensation, and said Act of Congress and said Orders operate to deprive the plaintiff of his property in said license agreement arbitrarily and capriciously, without due process of law.

2. Said Act of Congress and said Orders operate to take plaintiff's property in his patents mentioned in said license agreement and in said license agreement for public use without just compensation.

3. Said Act of Congress in terms attempts to deprive the plaintiff of all remedy by way of suit or other legal action against the defendants for the payment of the royalties reserved in said license agreement wherein the validity of plaintiff's patents is conceded and relegates the plaintiff to an action against the United States in the Court of Claims to recover such sum, if any, as, when added to the royalties fixed and specified in such Orders, "shall constitute fair and just compensation to the licensor for the manufacture, use, sale or other disposition of the licensed invention for the United States, and in which such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement", and which defenses would not be open or available to the defendants herein.

[fol. 7] 4. Said statute and said Orders attempt to deprive the plaintiff of the limited monopoly accorded to the plaintiff by United States patents duly and lawfully issued to him, without just compensation within the meaning of the Fifth Amendment aforesaid.

5. The right of action attempted to be accorded the plaintiff under Section 2 of said Act of Congress by a suit in the Court of Claims of the United States, does not and cannot give to plaintiff just compensation for his rights in said patents and his rights in said royalty agreement. Exhibit A hereto annexed.

6. Said Act of Congress and said Orders operate to deprive plaintiff of royalties earned under said license agreement to December 18, 1943, in excess of the sum of \$250,000.00, for an award of \$50,000.00 royalties.

7. Said statute and said Orders are invalid and null and void in that they deprive plaintiff of all royalties reserved under said license agreement for parts manufactured and sold under said patents and for shells and cartridges covered by plaintiff's patents and manufactured and sold by the defendants.

8. Said statute and said orders made in pretended compliance therewith operate to deny to plaintiff his rights to an accounting in the action pending in this Honorable Court and the right to recover therein for any and all royalties due the plaintiff for the year 1943 and thereafter.

9. Said Act of Congress under which said Orders were made violates Article I, Section 1 and Article I, Section 8, of the Constitution of the United States, in that it is an unconstitutional delegation of legislative power setting up no standards for the guidance of agencies of the United States Government and drawing no distinction between the manufacture of articles for or on behalf of the United States, whether they be patented or unpatented, or whether they are manufactured under a valid license or manufactured under a patent where no license has been granted.

Wherefore plaintiff prays:

1. That an injunction may issue out of and under the seal of this Court enjoining and restraining the defendants and each of them, from complying with paragraph (3) of Royalty Adjustment Order No. W-9 and Royalty Adjustment Order No. N-7, and in particular from paying any of the royalties due plaintiff under said license agreement Exhibit A to the Treasurer of the United States or to any other person or persons than the plaintiff, pursuant to the command of Royalty Adjustment Order No. W-9 and Royalty Adjustment Order No. N-7.

2. For an order enjoining and restraining the defendants Federal Laboratories, Inc. and Breeze Corporations, Inc. and each of them, from paying to the Treasurer of the United States any royalties that may hereafter become due to the plaintiff as licensor on account of any manufacture,

use, sale or other disposition of said inventions above mentioned, for the War Department or the Navy Department, pursuant to the command of paragraph (3) in said Orders.

[fol. 8] 3. That the Act of Congress, aforesaid; to wit, Public Law No. 768 of the 77th Congress (Chapter 634 Second Session) and the said Royalty Adjustment Orders Nos. W-9 and N-7 may be adjudged to be null and void for the reasons above mentioned.

4. That a temporary injunction may issue forthwith upon the filing of this complaint enjoining and restraining defendants Breeze Corporations, Inc. and Federal Laboratories, Inc., their agents, servants and attorneys, from paying any moneys to the Treasurer of the United States pursuant to said Royalty Adjustment Orders No. W-9 and N-7 until a court can be summoned to hear argument and determine whether the plaintiff is entitled to a permanent injunction for the reasons aforesaid; plaintiff alleges that irreparable harm and damage will be occasioned to him unless such a temporary restraint is granted.

5. That plaintiff may have such further and other relief in the premises as may be just.

Carpenter, Gilmour & Dwyer, Attorneys for Plaintiff, 75 Montgomery St., Jersey City, N. J.

James D. Carpenter, Jr., of Counsel.

STATE OF NEW JERSEY,

County of Hudson, ss:

SAMUEL M. COOMBS, JR., of full age, being duly sworn on his oath, according to law, deposes and says:

I am a member of the firm of Carpenter, Gilmour & Dwyer, attorneys for the plaintiff in the within mentioned cause. I have read the foregoing bill of complaint and the matters and things therein contained, and the allegations therein contained are true as I verily believe.

I received yesterday, January 5, 1944, from the plaintiff, Roscoe A. Coffman, the certified copy of Royalty Adjustment Orders No. W-9 and N-7, together with the envelopes in which he received them, and the envelope bearing the Army Order was postmarked at his post office December 29, 1943. He authorized me to take such steps

as are necessary to protect his interests. Because of Mr. Coffman being presently in California, there is no possibility of getting an affidavit from him verifying this bill of complaint within the time necessary to secure an injunction to restrain the payment of royalties due Mr. Coffman under the terms of his agreement; Exhibit "A", annexed to the complaint, before they may be paid over to the Treasurer of the United States by the said defendants.

Samuel M. Coombs, Jr.

Sworn to and subscribed before me this 7th day of January, A. D. 1944. Alice M. Boyle, Notary Public of New Jersey. (Notarial Seal.)

[fol:9] STATE OF NEW JERSEY,
County of Hudson, ss:

JOHN ALLEN APORTA, of full age, being duly sworn, according to law, upon his oath, deposes and says:

I live at 65 Seaman Avenue, New York, N. Y.

I am a graduate of the School of Commerce, Accounts and Finance of New York University, and I am in the employ of Chambellan, Berger & Welti, Certified Public Accountants, of 92 Liberty Street, New York, N. Y., accountants appointed by Honorable William F. Smith, Judge of the United States District Court for the District of New Jersey, as plaintiff's representatives to inspect the sales books and ledgers, sales invoices, contract registers and sale contracts, and all records showing quantities of Coffman starters and all devices manufactured under any Coffman patent by the defendant Breeze Corporations, Inc. after December 8, 1932.

I was one of the five men to commence an examination of the books, records and papers of the defendant Breeze Corporations, Inc., commencing August 4, 1943. Two of us remained at that work for August and September, 1943, and thereafter five of us worked continuously until Christmas time, and from thence three of us have been working at this examination.

I worked on the books, records and papers of the defendant Breeze Corporations, Inc. at Newark from August 4, 1943 to November 20, 1943. I went to Pittsburgh and arrived there Monday, November 22, 1943, and commenced an examination of the books, records and papers of the

defendant Federal Laboratories, Inc. and worked there until December 9, 1943, with one assistant. Thereafter I returned to Newark and worked on the books, records and papers of the defendant Breeze Corporations, Inc. from December 9, 1943 until today and I am still working there.

I have read the foregoing bill of complaint and know the contents thereof. The contract, Exhibit "A" annexed to the complaint is a copy of the licensed agreement made between the plaintiff and defendant Federal Laboratories, Inc., for I was given a photostatic copy thereof by Mr. Harry E. Rau, Secretary and Treasurer of the defendant Federal Laboratories, Inc., while I was in my work in Pittsburgh. My work at Pittsburgh revealed that the plaintiff Roscoe A. Coffman was paid his royalties quarter annually until September, 1937, and that thereafter twenty-five percent was deducted arbitrarily as selling expense from the gross sales of the starters, starter parts, starter engine cartridges. I find from an examination of the books that this was an unjustifiable deduction.

From my examination of the books, records and papers of the defendant Federal Laboratories, Inc. and Breeze Corporations, Inc. there was payable to Roscoe A. Coffman from Breeze Corporations, Inc. to November 30, 1943, for royalties that accrued from the sale of Coffman starters and parts from January 1, 1943, the sum of \$196,384.59, and I believe that to December 31, 1943, the royalties would aggregate \$216,000, although I have not completed my audit to December 31, 1943. The royalties that were due to the plaintiff, Roscoe A. Coffman, from Federal Laboratories, Inc. from January 1, 1943 to October 31, 1943, aggregate \$40,596.75 and I believe that the royalties due from Federal Laboratories, Inc. to Roscoe A. Coffman to [fol. 10] December 31, 1943, will aggregate \$48,000.00. The total royalties under the terms of the contract, Exhibit "A" annexed to the complaint, from both Federal Laboratories, Inc. and Breeze Corporations, Inc. for the entire year 1943 aggregate \$260,000 in round figures. None of this money whatsoever has been paid to Roscoe A. Coffman.

I found from my examination of Breeze Corporations, Inc. books and records that that company in 1943 sold Coffman starters, engine cartridges and parts from January 1 to November 30, for a total of \$3,273,076.53. The total sales by Federal Laboratories, Inc. of the Coffman devices covered by the licensed agreement, Exhibit "A",

between January 1 and November 30, 1943, was approximately \$753,000.00.

I learned in the course of my investigation that the defendant Breeze Corporations, Inc. owns all of the common capital stock of the defendant, Federal Laboratories, Inc. and substantially all of the preferred stock of the Federal Laboratories, Inc.

Last Monday, January 3, 1944, one of the officers of Breeze Corporations, Inc. showed me an azalid copy of the Royalty Adjustment Order No. N-7, and they said that they had a War Department Order also.

On Thursday, January 6, 1944, I inquired whether Breeze Corporations, Inc. has paid to the Treasurer of the United States any of the Coffman royalties as provided in paragraph 3 of the Royalty Adjustment Orders. I was told and verily believe that neither Breeze Corporations, Inc. nor Federal Laboratories, Inc. has made such payment. Herbert J. Dwyer, Secretary of Breeze Corporations, Inc., told me that a conference is going to be held in New Jersey on Friday, January 7, 1944, between the officials of both Companies and their counsel, to decide whether or not payment should be made to the Treasurer of the United States as required by said Orders. I believe that unless an injunction is issued, as prayed for in the bill of complaint, one or both of the defendants may pay to the Treasurer of the United States within the next few days all the royalties due the plaintiff, Roscoe A. Coffman, for the year 1943 in excess of \$50,000.00.

John Allen Aporta:

Subscribed and sworn to before me this 7th day of January, 1944. Alice M. Boyle, Notary Public of New Jersey. (Notarial Seal.)

[fol. 11]

EXHIBIT "A" TO COMPLAINT

Agreement.

This Agreement, made this 8th day of December, 1932, between Roscoe A. Coffman, of Pittsburgh, Allegheny County, Pennsylvania, hereinafter called the Licensor, party of the first part, and Federal Laboratories, Inc., a corporation of the State of Delaware, having its prin-

principal place of business in Pittsburgh, Pennsylvania, hereinafter called the Licensee, party of the second part.

Whereas, Licensor is the sole owner of the United States Patent No. 1776228, dated September 16, 1930, French Patent No. 702133, dated August 18, 1930, Italian Patent No. 295015, dated August 18, 1930, Canadian Patent No. 324031, dated July 12, 1932, British Empire Patent No. 355022, dated August 13, 1930, German Patent Application No. 77-30, and United States Patent Applications No. 585594, filed January 8, 1932, No. 581032, filed December 14, 1931, No. 586057, filed January 11, 1932, No. 595403, filed February 26, 1932, No. 595924, filed February 29, 1932, No. 388870, filed August 28, 1929 and No. 536389, filed May 11, 1931, all relative to improvements in starting motors and shells for use therewith; and covenants that the title thereto is unencumbered and he is fully and completely free and able to contract with reference thereto, as hereinafter set forth, and

Whereas, Licensor is willing to grant and Licensee is desirous of obtaining a non-assignable and exclusive license to manufacture, use and sell devices and shells for same as set forth in the aforementioned patents and applications.

Now, therefore, for and in consideration of the sum of One Dollar (\$1.00) paid by each of the parties to the other, receipt whereof is hereby acknowledged, and in further consideration of the faithful performance of the covenants and conditions hereinafter recited, the parties hereto have agreed as follows:

First: Licensor hereby grants to Licensee, and alternately to its successor in business, which is presently expected to be Federal Ordnance and Engineering Company, upon the terms and conditions herein set forth, a non-assignable and exclusive license to make, use and sell devices and shells embodying the inventions, types and designs as set forth in the aforementioned patents and patent applications. The license hereby granted, unless sooner terminated as hereinafter provided, shall be for the full term of the letters patent last issued on said applications, or any of them, or any reissues, continuations, divisions, renewals, or extensions thereof.

Second: Licensee shall pay to Licensor, his heirs or assigns, for the license hereby granted the sum of \$5,000.00 payable as follows: For the first 200 devices, \$25.00 on the sale and delivery of and payment for each device made for consumption of shells. Licensee shall also pay to Licensor, his heirs or assigns, a license fee or royalty equal to six per cent (6%) of the Licensee's net selling price on all devices and parts thereof sold. The Licensee's net selling price shall not be less than sixty per cent (60%) [fol. 12] the established retail selling price, less any discount to customers, not to exceed ten per cent (10%); providing these discounts, plus commissions, shall never exceed fifty per cent (50%) of Licensee's established retail selling price.

In addition thereto, Licensee shall pay to Licensor, his heirs and assigns, on all power generating units (shells) or parts thereof, made or caused to be made and sold, a license fee or royalty of six per cent (6%) of the Licensee's net selling price, payable after sales and payments to Licensee therefor. Licensee's net selling price shall not be less than sixty per cent (60%) of the retail selling price to the consumer.

If Licensee, in its sole and uncontrolled discretion, shall deem it advisable to market said devices or any of them on a lease plan, rather than on an exclusively cash payment plan, then on devices so rented or leased and paid for, royalty shall be paid for at the afore-recited rates as rentals are paid after shipment, providing full royalty payment shall be made within one year, based upon the net retail price of the respective device if sold for cash, and no royalty shall be payable on carrying charges, finance services, insurance or any other element of the rental due to the use of said deferred payment or leasing plan.

Royalty payments in accordance herewith shall be made on or before the thirtieth day of January, the thirtieth day of April, the thirtieth day of July and the thirtieth day of October of each year or fraction thereof for the three months period ending at the close of the previous month.

Third: Licensee shall render statements, duly verified by its proper officers at each of the times stated for payment, showing its sales and collections for the previous three months and shall keep full, accurate and complete

books of account respecting the said business; and Licensor, or his duly authorized representative, shall have the right of inspecting or examining said books of Licensee at all reasonable times during business hours for the purpose of verifying said quarterly statements and determining the correctness thereof.

Fourth: Licensee hereby covenants and agrees that during the life of this agreement it will give its best efforts diligently and continually to manufacture, sell and market or cause to be manufactured, sold and marketed devices and shells under this license; and will exert its best efforts to create a demand therefor and to increase and extend its business; and to supply the demand for said devices and shells.

Licensee further agrees that during the life of this agreement it will not engage in the manufacture or sale of any other devices that shall directly compete with the products herein licensed. And, during the continuance of this agreement, Licensor shall not engage, apart from the Licensee, in the manufacture or sale of airplane engine starters or any other device or article licensed hereunder; nor shall he grant any license therefor to any person or persons other than the Licensee, unless Licensee has failed or refused for thirty (30) days to authorize patent application for the given device in question and make it subject to this license agreement.

Fifth: Unless sooner terminated as herein provided, the license hereby granted to Licensee shall continue during the entire life of the patents hereinbefore recited and all patents granted or to be granted on patent applications aforementioned; or any reissues, continuations, divisions, renewals, or extensions thereof as before set forth, but in no event or by process of law, shall this license agreement [fol. 13] be construed to be an assignment to said Licensee of any of said patents or applications or any part of same set forth herein or on any future applications or patents secured by the Licensor. This document is merely a license agreement and in event of termination or cancellation thereof for any reason whatsoever, the rights and titles to any and all patents or patent applications now held, or to be applied for by Licensor in the future as set forth in this agreement, and the manufacturing and

sales rights given under the terms of this agreement shall automatically revert to said Licensor as his sole property. Licensor is hereby given an option, upon sixty (60) days written notice immediately given to Licensee upon cancellation, to purchase from Licensee at its manufacturing costs, such materials, devices and or parts as it may have on hand at that time. In the event Licensor does not exercise his option to purchase, Licensee shall have the right to sell the devices and material then on hand, providing that royalties shall be paid thereon at the rates provided herein. In event of cancellation or attempted cancellation by Licensor, Licensee shall have authority and license to continue the manufacture and sale of shells and repair parts and supplies only direct to customers who shall have purchased from Licensee any of the devices herein licensed and contemplated; said shells to be consumed by the customer and in no event shall said shells be sold by Licensee for resale to others. Provided, however, that royalties shall be paid thereon at the rates provided herein.

Sixth: Licensor shall promptly disclose to Licensee any improvements made by him relative to devices and shells of the character, principle, type and/or design as set forth in the aforementioned patents and patent applications. Likewise, Licensee shall promptly disclose to Licensor any improvements made by it or any of its employes on any parts of the devices or systems or shell developments and Licensor shall be privileged to take part in any and all laboratory or other experimental work with relation to said devices or shells and said Licensor shall be kept reliably informed at all times of the progress of such developments and experimental work, it being the intent hereof for Licensor and Licensee to cooperate, one with the other, in the further development and furtherance of the inventions and patents covered by this agreement.

On all patentable improvements made by either the Licensor or by or under the direction of the Licensee or by its employes, said Licensor shall, if requested by Licensee, without the payment to him of any additional compensation, execute, where lawful for him so to do, the necessary papers for the filing of application for letters patent and obtaining patents thereon in any and all countries elected by the Licensee. Licensee shall, at its own cost and ex-

pense, pay for any and all such applications for patents, both in the United States and foreign countries applied for in connection with said devices as set forth herein and covered by this agreement, and filed by the Licensor with the approval of the Licensee. Licensee shall pay any and all costs and expenses necessary and incident to the maintaining in full force and effect all foreign patents granted on such applications, together with all foreign patents now issued and in full force and effect, provided, however, if Licensee does not wish to so maintain any specific foreign patent it may decline to pay the expense incident to the maintaining thereof and release said patent from this agreement of license; providing Licensee [fol 14] shall decline not later than ninety days prior to the final date for action necessary to keep said patent in full force and effect.

The selection of patent attorneys for use in connection with the filing and preparation of patent applications under the terms of this agreement, shall be vested in the Licensor; provided, however, the fees and charges of said attorneys shall be reasonable in Licensee's opinion. Licensor shall have the right to select attorneys for use with Licensee's attorneys in any prosecution or defense of infringement suits; provided, however, expense of his attorneys for this purpose is borne by Licensor.

All said patents to be applied for by Licensor or by Licensee or any of its employees shall become a part of the license hereunder and royalties shall be paid thereon at the rates provided herein. However, in event Licensee does not elect to take out and pay for patents on any said improvements, after having been given by Licensor a thirty days notice in writing of his intentions to apply for a patent on said improvement, then said Licensor may apply for said improvement patent or patents at his own expense; and said Licensee shall not be entitled to use said improvements or devices as set forth in said patent application or applications until Licensor is reimbursed for all moneys expended by him in connection with obtaining such patents.

Seventh: Licensee, at its own cost and expense shall defend any and all suits which may be brought either against it or the Licensor or any of the Licensee's customers by reason of the manufacture, use or sale of de-

vices of the character herein contemplated and shall, at its own cost and expense diligently prosecute any and all suits which may be required against third persons or entities by reason of infringing acts of such parties. The provisions of this paragraph shall be effective both as to foreign and American rights, applications and patents. Without payment to him of any additional compensation, the said Licensor covenants and agrees to execute, at the expense of the Licensee, any and all papers which may be found necessary or desirable in any suit or suits brought under and pursuant to this agreement, and the said Licensor further agrees that he will testify in any interference or litigation whenever requested to do so by said Licensee, without remuneration for service, but all necessary expenses incident to travel shall be borne by said Licensee.

Without payment to him of any consideration other than the royalties herein recited, Licensor covenants and agrees with Licensee that, during the continuance of this agreement he will, at the expense of Licensee, execute or cause to be executed, any and all licenses or agreements which may be required to vest in the Licensee or its successor in business, which is presently expected to carry the name of Federal Ordnance and Engineering Company, an exclusive and nonassignable license under any and all inventions, applications or patents which Licensor has taken and may take out in connection with or relating to airplane engine starters or any of the devices and products to which this agreement applies.

It is understood and agreed that if, in any suits involving any of the letters patent or applications under and pursuant to which the exclusive right and license herein has been granted, charging infringement thereof, any of said letters patent or applications should be held to be invalid by the final judgment of a Court of competent jurisdiction, or in the event that the Patent Office should refuse to grant patents on said applications, or such a [fol. 15] court decision should so limit the effect of said applications and/or patents as to make possible for competition to manufacture or sell starters, devices and/or shells embodying the inventions of said applications and/or patents, and in the event a competitor shall so manu-

facture and sell any of the herein mentioned products to the detriment of Licensee, then and in such event the royalty and compensation herein agreed to be paid for said patent and or application under this agreement shall thereafter cease and determine, at the option of Licensee and thirty days written notice to the Licensor of the exercise of said option.

Eighth: Failure of the Licensee to perform the terms and agreements of this contract by it to be performed, shall be deemed a breach thereof, and upon failure of the Licensee to cure the said breach after Licensor shall have given to Licensee thirty (30) days written notice; or in the event the royalties, or the combined royalties and full time salary, if any, from Licensee shall amount to less than \$5,000.00 per year; after the first year, Licensor shall have the right to cancel this agreement upon thirty (30) days written notice to the Licensee. Upon such cancellation or other termination hereof, the Licensee covenants to make, execute and deliver to Licensor any and all proper instruments to revert him with full and complete title and right of, in and to all said patents and applications and all sub-licenses lawfully granted hereunder without any further right or claim to any thereof on the part of Licensee.

Ninth: On all applications for foreign patents filed or granted as herein contemplated, Licensee shall have the right to grant sub-licenses for the manufacture, use or sale only in the country or countries respectively in which the Licensor has secured patents or filed applications for patents as provided for elsewhere herein. As to any sub-license granted in accordance herewith in any countries foreign to the United States the cash payments and royalty payments received therefrom shall be divided one half to Licensor and one-half to Licensee, and Licensor herein shall be entitled to no other compensation thereon. On any foreign license executed by Licensee a royalty of not less than six per cent (6%) on net selling price shall be provided, unless otherwise agreed to in writing by Licensor. Net selling price as herein defined.

Tenth: In the event of lawful adjudication of Licensee as a bankrupt or on the appointment of a permanent receiver for the Licensee by a Court of competent jurisdiction.

tion or insolvency of the Licensee, or general assignment for benefit of creditors by Licensee, this agreement and the License hereby granted shall cease and determine at the option of Licensor upon written notice to Licensee or its legal representatives.

Eleventh: The devices and shells or power generating units licensed hereunder shall be marketed under the name "Coffman" and shall be advertised and labeled as such. Each device and each shell container shall be marked with a permanent label or name plate showing in legible letters the name "Coffman" and also be inscribed with "Licensed under Patent Nos. and Patents Pending."

Twelfth: Notices in accordance with this license agreement may be given by either party to the other by registered mail, properly addressed and mailed to the address last furnished by the addressee to the other party.

[fol. 16] Thirteenth: Licensee shall purchase all loaded shells from Atlas Powder Company of Wilmington, Delaware, if and providing that the price, delivery and quality of such materials are equal to or better than price, delivery and quality of materials obtainable otherwise and elsewhere.

Fourteenth: This agreement shall not be construed as giving shop rights or any other claims to Licensee on inventions or patents that shall hereafter be developed by Licensor which are not directly related to the patents and inventions herein enumerated.

Fifteenth: The aforementioned successor in business to Licensee, which is presently expected to be Federal Ordnance and Engineering Company, if it dissolves Licensee, shall endorse hereon its full acceptance of all the terms, covenants and provisions hereof and shall be deemed the sole Licensee herein, without any right whatsoever to assign this license or grant sub-licenses except as hereinbefore provided.

Sixteenth: Except as herein otherwise provided, the license hereby granted to Licensee shall be non-assignable, either by the act of the Licensee or by operation of Law,

without the approval of Licensor in writing first had, and obtained.

In witness whereof this agreement has been executed in duplicate the day and year first above written, each copy to be taken as an original for all purposes.

Roscoe A. Coffman (Seal) Federal Laboratories,
Inc., by John S. Young, President.

Witness: G. Olecadick. Attest: R. B. Reynolds, Secretary.

[fol. 17]

EXHIBIT "B" TO COMPLAINT

UNITED STATES DISTRICT COURT, DISTRICT OF NEW JERSEY

Civil Action

ROSCOE A. COFFMAN, Plaintiff,

v.

FEDERAL LABORATORIES, INC., a corporation of the State of Delaware and BREEZE CORPORATION, INC., a corporation of the State of New Jersey, Defendants.

COMPLAINT

The plaintiff, Roscoe A. Coffman, residing at No. 800 North Las Palmas Avenue, in the City of Los Angeles, State of California, respectfully shows that:

1. The diversity of citizenship of the parties to this cause and the amount in controversy creates the jurisdiction in this Court.

2. On December 8th, 1932, plaintiff entered into an agreement with Federal Laboratories, Inc., a corporation of the State of Delaware, a copy of which agreement is hereto annexed marked schedule "A" and made a part hereof.

3. That at the time of making of said license plaintiff was the Sole owner of United States Patent #1776228, dated September 16, 1930, French Patent #702133 dated August 18, 1930, Italian Patent #295015, dated August 18, 1930, Canadian Patent #324031 dated July 12, 1932, British Empire Patent #355022 dated August 13, 1930, Germany Patent Application #7030 and United States Appli-

cations #585594 filed January 8, 1932, #581032 filed December 14, 1931, #586057 filed January 11, 1932, #595403 filed February 26, 1932, #595924 filed February 29, 1932, #388870 filed August 28, 1929 and #536389 filed May 11, 1931, all relative to improvements in starting motors and shells for use therewith.

4. That in and by the agreement aforesaid plaintiff licensed the defendants Federal Laboratories, Inc., to handle, manufacture and sell articles under patents owned and covered by said license agreement.

5. That subsequent to the making of said agreement dated December 8th, 1932, and prior to the month of July, 1937, the Federal Laboratories, Inc., a corporation of the State of Delaware, entered into an agreement with the Breeze Corporation, Inc., a corporation of the State of New Jersey, whereby the said Breeze Corporation, Inc., undertook to perform the terms of the contract as imposed upon the Federal Laboratories, Inc., by the terms of said agreement.

6. That subsequent to the arrangement made between Federal Laboratories, Inc., and Breeze Corporation, Inc., [fol. 16] to wit, on or about September 23, 1936, and July 3, 1937, the Federal Laboratories, Inc., and Breeze Corporation, Inc., or one of them entered into an agreement with Breeze Corporation of Great Britain Limited, whereby the American Companies or one of them agreed that the English Companies or one of them should be entitled to make, use, apply and sell in the territory of Great Britain, the appliances, parts and systems in the said agreement that are particularly referred to and be entitled to use in the said territory any inventions and improvements in connection therewith.

7. All of the acts aforesaid of the American Companies and the British Companies relative to said patented articles were made without the knowledge, acquiescence or consent of this plaintiff and the plaintiff first learned of the dealings between the American Companies and British Companies about in the summer of 1939.

8. That on or about January 30, 1940, the plaintiff entered into a written agreement with Federal Laboratories, Inc., a copy of which agreement is hereto annexed marked

schedule "B" and made a part hereof. The said contract was signed by the plaintiff upon the representations of the Federal Laboratories, Inc., and Breeze Corporations, Inc., that as a result of settlements made with the English Companies aforesaid the American Companies were to receive from the English Companies the sum of \$100,000.00 or 25,000 pounds whichever amount might be the larger at the time of receipt, which payment was to be made in full settlement of lump sum payment for accrued and future royalties under the plaintiff's patents.

9. Subsequent to January 30, 1940, to wit, on or about May 21, 1940, the plaintiff executed an agreement to Plessey Company Limited and Breeze Corporation of Great Britain Limited, a copy of which agreement is hereto annexed marked schedule "C" and made part hereof. That said agreement copy of which is marked schedule "C" was annexed to a Deed made in April, 1940, between Breeze Corporation, Inc., of 41 South Street, Newark, New Jersey, and Federal Laboratories, Inc., of Pittsburgh, Pennsylvania, thereafter called the American Company and Plessey Company Limited, whose registered office is at 1 Broad Street Place, London, E. C. 2, England, and Breeze Corporation of Great Britain Limited.

10. That the English Companies refused to pay any monies over to the American Companies unless said American Companies would procure for them a release which was signed by the plaintiff.

11. That the American Companies, the defendants in this action, induced the signing of all agreements by the plaintiff upon the representations that the plaintiff was receiving one-half of the amount which was paid by the British Companies to the American Companies for past, present and future royalties on articles covered by the plaintiff's patents.

12. That the defendants fraudulently represented to the plaintiff the amount which the said defendants were to receive from the British Companies; that instead of receiving from the British Companies the sum of \$100,000 as represented by the defendants to the plaintiff, the defendants actually received the sum of \$284,000 for capital payment [fol. 19] on the Coffman Starter and royalties on the Coff-

man unfiled orders. That in addition to said sum the defendants also received the sum of \$65,000 for Breeze shipments to England. That in addition to said sum, a lump sum of \$131,000 which was classified as lump sum royalties for the future use of Breeze and Coffman products.

13. That by virtue of the acts of the defendants aforesaid and the defendants' misrepresentations to the plaintiff of the amount received by the defendants from the British Companies and the failure of the American Companies to disclose to the plaintiff the amount which the defendants received for the Coffman interests, the plaintiff suffered a financial loss in excess of \$145,000. That instead of receiving \$50,000, the plaintiff should have received in excess of the sum of \$195,000.

14. That the defendants have failed to carry out the terms of the license agreement made between the plaintiff and the Federal Laboratories, Inc., on December 8th, 1932, as a result of which the plaintiff has suffered a large financial loss by virtue of reduced royalties.

15. That at the time the plaintiff entered into the agreement of December 8th, 1932, Federal Laboratories, Inc., was in a position to and did make the manufacturing and sale of the Coffman Starter its primary business. The Breeze Corporation, Inc., acquired the control of the stock of the Federal Laboratories, Inc., for the purpose of securing control over the output of the Coffman Starters. Immediately after acquiring the control of the Federal Laboratories, Inc., by stock purchase the Federal Laboratories, Inc., deducted 25% of the royalties they indicated to be due to the plaintiff upon each accounting period. That the plaintiff made it a practice in cashing royalty checks here such deductions were made to note on the back of the check prior to his endorsement that he was "accepting same under protest".

16. That as soon as the Breeze Corporation, Inc., acquired control of the Federal Laboratories, Inc., the Federal Laboratories, Inc. ceased the manufacturing and sale of the Coffman Starters and Breeze Corporation, Inc., without the consent of the plaintiff started to manufacture and sell the Coffman Starters. That since the Breeze Cor-

poration, Inc., has been manufacturing and selling the Coffman Starters the plaintiff has not been able to realize from the royalties nowhere near the amount which could be procured if diligence were used in the manufacturing and sale of the said Coffman Starters.

17. That because of the world-wide conditions there are great demands for the Coffman Starters which are in reality a necessity for successful use of aircraft, tanks and other offense and defense items. The Coffman Starter has been accepted by the Army and Navy of the United States as standard equipment and has been accepted as standard equipment by other branches of military units of other nations.

18. That the plaintiff has frequently demanded from the defendants an accounting of all royalties and profits from [fol. 20] the Coffman Starter which accounting the defendants have failed to render to the plaintiff.

19. That the plaintiff charges that all of the fraudulent acts aforesaid were committed in order to deprive the plaintiff of money to which he was legally entitled and that as a result of said unconscionable acts of the defendants, the plaintiff suffered great and irreparable damage.

Wherefore the plaintiff demands:

1. That the defendants or one of them be required to pay to the plaintiff such damages as the plaintiff has sustained in consequence of the defendants' fraudulent concealment of the amount which the Federal Laboratories, Inc. and Breeze Corporation, Inc. received from royalties, leases, sales or assignment arising out of the Coffman patents and starter.

2. That an account may be taken to determine the amount owing by the defendants to the plaintiff.

3. That the agreement of December 8, 1932, made between Roscoe A. Coffman and Federal Laboratories, Inc. a copy of which is marked Schedule "A" hereinbefore referred to, be rescinded.

4. That the defendants Breeze Corporation, Inc. and Federal Laboratories, Inc. be prohibited from continuing the manufacturing and sale of any articles under the Coffman patents.

5. That the defendants be ordered to assign and convey to the plaintiff any right, title and interest which the defendants or either of them may have in any royalty or agreements arising out of the licensing privilege under agreement of December 8, 1932.

6. That the defendants be decreed to deliver to the plaintiff all original drawings and blue prints of all devices and parts covered by the Coffman Patent which original drawings and blue prints together with parts were originally turned over to the Federal Laboratories, Inc. by the plaintiff.

7. That the defendant pay to the plaintiff the costs of this action and reasonable attorneys' fees to be allowed to the plaintiff by the court.

That the plaintiff have such other and future relief as the Court deems equitable and just.

Benjamin W. Dowden, Attorney for Plaintiff, 921
Bergen Avenue, Jersey City, N. J.

"Schedule 'A'" is printed as Exhibit "A" of the bill of complaint.

[fol. 21]

SCHEDULE "B"

Supplemental Agreement

For values mutually received, the parties hereto agree that a certain license contract dated December 8th, 1932, between Roscoe A. Coffman and Federal Laboratories, Inc. is hereby amended as follows:

1. In lieu of accrued and continued royalties Coffman agrees to accept a lump sum payment for the exclusive right under his patents in the United Kingdom, specifically excepting Canada.

2. In lieu of royalties for a non-exclusive sub-license to be issued to either Plessey Co. Ltd. or Breeze Corporation of Great Britain, Ltd., for countries on the continent of Europe, Coffman agrees to accept a lump sum payment. In the event sub-licenses are issued to others than Plessey or Breeze, royalties or other proceeds from such other sub-licenses shall be divided as provided in the existing con-

tract between Federal and Coffman, dated December 8, 1932.

3. The lump sum payments referred to in Paragraphs 1 and 2 hereof shall aggregate Fifty Thousand Dollars (\$50,000.00) or one-half of Twenty-Five Thousand Pounds (£25,000), whichever may be the larger amount at the time that such is received by Federal Laboratories, Inc. and Federal agrees to pay said lump sum payments to Coffman upon receipt of the same by Federal.

4. It is mutually agreed that unless the payments referred to in paragraph 3 hereof are paid by Federal to Coffman within six weeks of the date hereof, Coffman shall have the option of withdrawing and cancelling this agreement to accept a lump sum payment, said option must be exercised in writing by registered mail to Federal.

In witness whereof, the parties have hereunto set their hands and seals the 30th day of January, 1940.

Rosecoe A. Coffman, Federal Laboratories, Inc., by
Robert B. Reynolds, President.

Attest: Harry E. Rani, Secretary.

[fol. 22]

SCHEDULE

Know All Men by These Presents That

Whereas, Breeze Corporations, Incorporated, of 41 South 6th Street, Newark, New Jersey, U. S. A., and Federal Laboratories, Inc., of Pittsburgh, Pennsylvania, U. S. A. (hereinafter called the "American Companies") of the one part, and The Plessey Company, Limited, whose registered office is at 21 Broad Street Place, London, E. C. 2, England, and Breeze Corporation of Great Britain, Limited, whose registered office is at 54 Vicarage Lane, Ilford, County of Essex, England, (hereinafter called the "English Companies") of the other part are about to enter into a certain deed, whereby the English Companies are to pay to the American Companies the sum of Three Hundred Eighty-four Thousand (\$384,000.00) Dollars, for certain patent rights in the territories more specifically defined in said deed in connection with certain patents more specifically enumerated in two certain schedules attached to said

deed, designated respectively "the first schedule" and "the second schedule" and

Whereas, the English Companies have refused to execute and deliver said deed and pay the consideration therein provided to the American Companies unless the undersigned shall concur in all the terms, covenants and conditions in said deed contained, as if the undersigned were a party thereto and had joined in the execution thereof, and conveyed whatever right, title and interest the undersigned might have in and to a full and exclusive prepaid license without the payment of any past due or future royalties in and to any and all of the patents enumerated in said schedules, to the English Companies, and

Whereas, the undersigned is the record owner of various patents set forth in said schedules relating to starter for internal combustion engines, and especially the engines of aeroplanes, which patented devices are familiarly known as Coffman Engine Starters and Cartridges,

Now, therefore, I, Roscoe A. Coffman, presently residing at Vicksburg, in the State of Arizona, United States of America, in consideration of One (\$1.00) Dollar, lawful money of the United States to me in hand paid, and other good and valuable consideration, the receipt whereof is hereby acknowledged, and in order to enable the said deed to be executed and delivered and the consideration therein provided to be paid by the English Companies to the American Companies, do hereby certify as follows:

1. I concur in, ratify and approve the execution and delivery of the aforesaid deed by the respective American Companies and the respective English Companies, as fully as if I was a party thereto.

2. I hereby transfer and convey unto the English Companies and each of them, a full and exclusive prepaid license, without the payment of any past due or future royalties in and to any and all of the patents owned by me and described in the schedules of the aforementioned deed for the territories therein defined.

3. I hereby authorize and request the English Companies to pay over to the American Companies the said sum of Three Hundred Eighty-four Thousand (\$384,000.00) Dollars.

[fol 23] 4. I hereby certify that I have no further or future claims of any kind or description against the Eng-

lish Companies in connection with the prepaid license hereinbefore mentioned, excepting as hereinafter set forth in Paragraph designated "6" herein, relative to patent maintenance on my patents by the English Companies.

5. I represent that the present license to the American Companies, dated December 8th, 1932, affecting my patents, as set forth in said schedules, is now in full force and effect and the American Companies have full authority to enter into the aforesaid Deed or Contract and I know of no adverse claim of title to any of the Licenses, rights or patents in the territories mentioned in said Deed, and I will, at the request of the English Companies or either of them and at their expense, do anything that may be necessary to effectuate and defend any of the rights, benefits and interests which are assigned to the English Companies or either of them by said Deed in connection with my patents, provided that I am compensated in cash for my services and for all my expenses in connection therewith.

6. In consideration of the execution of said Deed aforesaid by the English Companies and the payment by them or either of them of the consideration therein named, to wit, Three Hundred Eighty-four thousand (\$384,000.00) Dollars to the American Companies jointly, I hereby remise, release and forever discharge and do for my heirs, executors, administrators and assigns, release, and forever discharge the said The Plessey Company, Limited and Breeze Corporation of Great Britain, Limited, their successors and assigns of and from all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, accounts, reckonings, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, royalties due or to become due, claims and demands whatsoever in law or in equity, which, against The Plessey Company, Limited and Breeze Corporation of Great Britain, Limited, I ever had, now have or which I, my heirs, executors, administrators, or assigns can or may have for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of these presents. This release shall be conditional upon the English Companies or either of them paying all charges, fees, taxes and dues necessary to keep and maintain all of the patents mentioned in said schedules and belonging to me, in full force and effect for the full duration and life of each

of said patents and for any renewals, extensions or reissues thereof.

In witness whereof, I have hereunto set my hand and seal this 21st day of May, 1940.

— (L. S.) — Roscoe A. Coffman.

UNITED STATES OF AMERICA,

State of New York,

City of New York,

County of New York, ss:

On the 21st day of May, 1940, before me personally came Roscoe A. Coffman, to me known and known to me to be the individual described in and who executed the foregoing instrument, and he duly acknowledged to me that he executed the same.

[fol. 24]

SCHEDULE C

This Deed is made the — day of April, 1940, between Breeze Corporations, Incorporated of 41 South Sixth Street, Newark, New Jersey, U. S. A., and Federal Laboratories, Incorporated of Pittsburgh, U. S. A. (hereinafter called "the American Companies") of the one part and The Plessey Company Limited, whose registered office is at 1 Broad Street Place, London, E. C. 2, and Breeze Corporation of Great Britain Limited, whose registered office is at 54 Vicarage Lane, Ilford, in the County of Essex (hereinafter called "the English Companies") of the other part.

Whereas:—

(1) By two several Agreements dated respectively the 23rd September 1936 and the 3rd July 1937 the American Companies or one of them agreed that the English Companies or one of them should be entitled to make, use, apply and sell in the territory therein defined the appliances, products and systems in the said Agreements more particularly referred to and be entitled to use in the said territory the inventions and/or patents in connection therewith and have the rights and obligations set out in the said Agreements.

(2) It has been mutually agreed between the parties that as from the date hereof the said Agreements and all ar-

rangements in connection therewith shall be cancelled and the terms hereinafter set out substituted for same.

Now this deed witnesseth as follows:—

1. In consideration of the payment mentioned in clause 9 hereof, the American Companies and each of them hereby grant to and agree to vest in the English Companies (or either of them as the English Companies may appoint) the exclusive right to make, use, exercise, apply and sell in Great Britain and Northern Ireland, the Isle of Man, India, Egypt, Iraq, the Sudan and any of His British Majesty's Dominions (except Canada) Colonies, Protectorates, Protected or Mandated Territories, as they presently exist, (all of which places are hereinafter collectively called "the Territories") the appliances, products and systems, the subject matter of the said Agreements and which are set out in the First Schedule hereto and (except as reserved in the provisions of clause 4 hereof), all improvements thereof or inventions or processes useful in connection therewith already communicated to the English Companies, or either of them, by the date of this Agreement (all of which appliances, products, systems, improvements, inventions and processes so communicated are hereinafter collectively called "the said Items") and for the purpose of ensuring to the English Companies the benefit of the above paragraph hereof the American Companies will in particular—

(a) Forthwith assign to the English Companies all rights, benefits and interests owned, exercised, enjoyed or controlled by the American Companies, or either of them for any of the territories (except Canada) in all inventions, patents, designs and trademarks now subsisting in reference or applicable to the said items or any of them and which only include the patents and patent applications set out in the Second Schedule hereto. The American Companies and each of them hereby warrant that there are not outstanding licenses in the Territories (excepting Canada) based [fol. 25] upon any of the patents which are the subject of this agreement and further warrant and guarantee that the patents and patent applications set out in the Second Schedule is a full and complete and authentic list of all patents and patent applications owned or controlled by Breeze Corporations, Inc. or licensed to it in said Terri-

teritories, (excepting Canada) and also a full and complete list of all patents and patent applications owned and/or controlled by Federal Laboratories, Inc. or licensed to it in said Territories (excepting Canada) relating in any manner to starters for internal combustion engines and especially the engines of airplanes which devices are familiarly known as the Coffman engine starters and cartridges. In the event that there are presently any pending United States patents or patent applications of which there is no counterpart in the Territories (excepting Canada) the American Companies will disclose the subject matter of such patents or patent applications upon request and the same shall be covered by this Agreement. The American Companies and each of them further warrant their full legal title to each, every and all of the patents and patent applications set out in the Second Schedule hereto and further guarantee that their title to said patents and patent applications as herein listed in the Second Schedule is free and clear of any lien, charge, grant, license or encumbrances, legal or equitable, or any other kind or description and the American Companies and each of them agree to indemnify the English Companies and each of them in respect to such title.

(b) In the case of any of the territories (excepting Canada) for which any rights, benefits or interest in respect of any of the said inventions, patents, designs or trade marks are owned, exercised, enjoyed or controlled by the American Companies or either of them merely by virtue of a license or licenses (exclusive or non-exclusive) or other Agreement or Agreements, forthwith grant, assign or transfer (if and so far as permitted by the terms of the same) all such rights, benefits and interests to the English Companies or either of them as the English Companies may appoint either by way of sub-license or otherwise as the English Companies shall reasonably require and shall for such purpose obtain the consent or concurrence of any other party so far as the same may be necessary.

(c) Unless required by the British Government, neither import any of the said items into any of the territories (except Canada) nor directly or indirectly assist any party in any of the territories (except Canada) (other than the English Companies) to make, use, exercise, apply or sell the same and do all acts and things reasonably required to

prevent the importation of any of the said items into any of the territories (except Canada) but nothing contained in this Clause shall prevent the American Companies from selling any of said items to any person, firm or corporation, or governmental agency, in the normal course of their business, located in any place other than the Territories (except Canada) even though such items may eventually be imported into the territories in the normal course of business of such purchasers without the connivance or aid of the American Companies.

2. The English Companies shall have the right free from any payment other than that mentioned in Clause 9 hereof, to make, use, exercise, apply and sell the said items on the Continent of Europe. The American Companies and the English Companies will forthwith grant or cause to be granted to the English Companies non-exclusive licenses for that purpose in respect of any invention patented in any part of the Continent of [fol. 26] Europe in connection with any of the said items. The American Companies and the English Companies will enter into appropriate arrangements to obviate price cutting as regards any of the said items on the Continent of Europe.

3. The English Companies shall not import any of the said items except to the Territories (excepting Canada) and the Continent of Europe and will do all acts and things reasonably required from them to obviate such imports.

4. In the event of the American Companies or either of them, during a period of ten years from the date hereof, making or acquiring or becoming entitled to the control of any inventions useful in connection with the said items and which are being or shall hereafter be patented or otherwise protected or to any new product relating to said items of the American Companies or either of them, the American Companies will give to the English Companies an option or options for a period of 60 days to acquire an exclusive license or licenses or to purchase such patent rights for the territories, or any of them, on the best terms acceptable to the American Companies which have been bona fide offered to the American Companies, or either of them, by any third party, desiring such exclusive license or licenses or desiring to purchase such patent rights, and will not dispose of such patent rights or other rights for the term

tories (except Canada) or any of them until the expiration of such option period. Such option period shall run for a period of sixty (60) days after notice has been received by the English Companies or either of them, which notice shall be sent in writing and by registered mail.

5. The American Companies shall forthwith render every possible assistance to the English Companies and furnish all information and documents possessed or controlled by them with a view to rendering possible the re-establishment or renewal of Patent No. 355022 and shall on the execution hereof hand the same to the English Companies or cause to be lodged at H. M. Patent Office in London all additional necessary documents. The American Companies will also hand to the English Companies, or cause to be lodged at H. M. Patent Office in London all necessary documents which it may have in support of the application for such re-establishment or execute any further documents that may be required for said re-establishment, and in particular the original License dated the 8th day of December, 1932, in favor of Federal Laboratories Incorporated, and as soon as practicable any such documents shall be returned by the English Companies.

6. The American Companies and each of them hereby finally renounce all rights vested in them or their nominees to nominate or appoint one or more Directors of the Breeze Corporation of Great Britain Limited and have on the execution hereof procured the resignation of any Directors so appointed together with a formal release by the registered holders of all shares in the said Company heretofore held in trust for the American Companies or either of them of any such right of nomination by any means vested in such registered holders, or any of them.

7. The terms of all licenses, assignments or other documents required to carry this deed into full effect shall be agreed between the Solicitors of the parties and the Treasury Solicitor on behalf of the Secretary of State for Air or failing agreement between them, shall be referred for determination and settling to a barrister-at-law in England [fol. 27] of not less than seven years' standing to be appointed by the President for the time being of the Law Society in London.

8. In the case of any pending applications for patents, under which the American Companies presently have any right, title or interest, in respect of the Territories (except Canada) or any part thereof, the benefit of which is to be vested in the English Companies hereunder, the American Companies will diligently proceed with and complete such applications or procure the same to be diligently proceeded with and completed by all necessary parties and on completion thereof will, where the patents are issued to the American Companies or either of them or to any nominee or representative of the American Companies or either of them forthwith execute or procure the execution of an assignment thereof to the English Companies (or such of them as the English Companies shall appoint) as hereinbefore provided and where the American Companies or either of them only become interested in such new patents as Licensees only forthwith procure the execution of all necessary licenses in their own favor and grant a sub-license or sub-licenses in respect thereof to or otherwise effectively vest the benefit thereof in the English Companies (or such of them as the English Companies may appoint) to the intent that the English Companies shall effectively receive the benefit for the territories (except Canada) of the inventions or improvements comprised in any such applications as aforesaid.

9. In consideration of the premises, the English Companies will, on the completion hereof, cause to be paid to the American Companies jointly, at the office of their Solicitor, Lucius F. Crane, Esq., Bush House, W. C. 2, London, England, the sum of Three Hundred and Eighty-four Thousand (\$384,000.00) Dollars, without being subject to any deduction for English taxes and assessments whatsoever and free from impounding.

10. As from the date of these presents the said two Agreements are hereby rescinded and the American Companies and each of them hereby release the English Companies and each of them and the English Companies and each of them hereby release the American Companies and each of them, from all claims and demands whatsoever which any of them now has against any other of them, or which are accruing due from any of them against any other of them arising at any time out of the said Agreements or either of them or anything connected therewith or otherwise

in any manner whatsoever now subsisting or accruing in favor of any of them against any other of them and so that this release shall extend to and include all moneys due or accruing due in respect of commissions, royalties, fees and other payments from the English Companies or either of them to the American Companies or either of them Provided that there shall be excepted from this Release any sums now due or accruing due from the English Companies or one or other of them to the American Companies or one or other of them in respect of the price (exclusive of all commissions, royalties, fees and the like) of goods sold and delivered to the English Companies or either of them by the American Companies or either of them.

11. The term "the American Companies" and the term "the English Companies" shall wherever the context requires or admits be deemed to include their respective associated or subsidiary Companies or any Company, firm or persons controlled by them and their respective successors and assigns.

[fol. 28] 12. The costs and expenses of and in relation to all assignments, licenses and similar documents herein before referred to and in particular those referred to in clauses 1 (a) and (b) and 2 hereof shall be borne by the American Companies except that the English Companies shall pay the costs of their own Solicitors and Patent Agents and any English stamp duties payable in respect thereof and the fees (if any) of the barrister-at-law referred to in Clause 7 hereof shall be borne by both parties in equal shares.

13. It is mutually agreed that upon execution of this deed the English Companies shall be charged with the responsibility of maintaining any patents hereunder in the territories as hereinabove defined (except Canada and Continental Europe) and the American Companies are relieved of any responsibility or expenses in connection therewith.

14. This agreement shall be construed and operate according to English Law.

In Witness Whereof the respective companies have caused their respective common and/or corporate seals to be hereunto affixed.

The Plessey Company Limited, by _____

Attest: — — —, Secretary. The Common Seal of Plessy Company Limited was hereunto affixed in the presence of: — — —, Director; — — —, Secretary.

Breeze Corporation of Great Britain Limited, by

Attest: — — —, Secretary. The Common Seal of Breeze Corporation of Great Britain Limited was hereunto affixed in the presence of: — — —, Director; — — —, Secretary.

[fol. 29] Breeze Corporations, Incorporated, by: — — —, President.

Attest: — — —, Secretary. The Corporate Seal of Federal Laboratories, Incorporated was hereunto affixed in the presence of: — — —, Secretary; — — —, Director.

The First Schedule

All Breeze products referred to in the said Agreement dated 23rd September 1936 or in the current catalogue of productions issued by Breeze Corporations, Incorporated, particulars whereof have been communicated to the English Companies or either of them on or before the date of these presents including in particular Breeze electrical conduit systems and components thereof and Breeze ignition screening harnesses and components thereof.

The Coffman Engine Starters, components thereof and cartridges therefor and all other appliances or components comprised in the said Agreement of the 23rd July 1937.

The Second Schedule

List of patents covered by the licenses granted to the Breeze Corporation of Great Britain Ltd. and the Plessy Co. Ltd. by Breeze Corporations, Inc. and Federal Laboratories, Inc.

1. *Patents affecting the Breeze Corporations license.*

397661	Registered proprietor (21.12.38)	J. J. Mascuch
416189	"	Breeze Corporations, Inc.
465425	"	"
465451	"	"
468806	"	"
474548	"	"

475764
476133
481329
481406
488823
489004

(23.12.38)

[fol. 30] 2. *Patents under which the Federal Laboratories has an exclusive license affecting Coffman starters and cartridges.*

355022	(expired)	Registered proprietor	(on 19.5.39)	R. A. Coffman
444172	"	"	"	"
445734	"	"	"	"
455630	"	"	"	"
455685	"	"	"	"
455686	"	"	"	"
458729	"	"	"	"
458981	"	"	"	"
478313	"	"	(on 30.6.39)	"
479985	"	"	"	"
481639	"	"	"	"

The Common Seal of the Plessey Company Limited was hereunto affixed in the presence of: ———, Director; ———, Secretary.

The Common Seal of Breeze Corporation of Great Britain Limited was hereunto affixed in the presence of: ———, Director; ———, Secretary.

The Corporate Seal of Breeze Corporation's Incorporated was hereunto affixed in the presence of: ———, President; ———, Secretary.

The Corporate Seal of Federal Laboratories Incorporated was hereunto affixed in the presence of: ———, President; ———, Secretary.

[fol. 31] The common seal of The Plessey Company Limited was affixed by ———, the ——— of said Company, and said ——— affixed his signature hereto on the — day of April, in the year of Our Lord, nineteen hundred and forty, in the presence of: ———, Secretary; ———, Director.

ss.:

I, ———, of ——— England, Secretary of The Plessey Company, Limited, make oath and say that on the — day of April, A. D. 1940, I was present and saw the common seal of The Plessey Company Limited affixed to the an-

nexted Deed by —, the — of said Company, and that I saw said — sign, execute and deliver the said Deed for the purposes therein mentioned and that I and — subscribed our names as the witnesses to the execution thereof.

Sworn to this — day of April, A. D. 1940, before me —, Notary Public.

The common seal of Breeze Corporation of Great Britain Limited was affixed by —, the — of said Company and said — affixed his signature hereto on the — day of April, in the year of Our Lord, nineteen hundred and forty, in the presence of:

—, Secretary; —, Director.

[fol. 32] —, ss.:

I, —, of —, England, Secretary of Breeze Corporation of Great Britain Limited, make oath and say that on the — day of April, A. D. 1940, I was present and saw the common seal of Breeze Corporation of Great Britain Limited affixed to the annexed Deed by —, the — of said Company, and that I saw said — sign, execute and deliver the said Deed for the purposes therein mentioned and that I and — subscribed our names as the witnesses to the due execution thereof.

Sworn to the — day of April, A. D. 1940, before me —, Notary Public.

The corporate seal of Breeze Corporations, Incorporated was affixed by Joseph John Mascuch, the president of said Company and said Joseph John Mascuch affixed his signature hereto on the 26th day of April, in the year of Our Lord, nineteen hundred and forty, in the presence of:

—, Secretary; —, Director.

UNITED STATES OF AMERICA,

State of New York,

County of New York, ss.:

I, John Thomas Mascuch, of the City of Morristown, State of New Jersey, United States of America, Secretary

of Breeze Corporations, Incorporated, make oath and say that on the 26th day of April, A. D. 1940, I was present and saw the corporate seal of Breeze Corporations, Incorporated affixed to the annexed Deed by Joseph John Mascuch, the President of said Company, and that I saw said Joseph John Mascuch, sign, execute and deliver the said Deed for the purposes therein mentioned and that I and _____ subscribed our names as the witnesses to the due execution thereof.

Sworn to this 26th day of April, A. D. 1940, before me _____, Notary Public.

[fol. 33] STATE OF NEW YORK,
City of New York,
County of New York, ss.:

On this 26th day of April, 1940, before me came Joseph John Mascuch and John Thomas Mascuch, to me known, who, being by me duly sworn, did depose and say that they reside in the State of New Jersey, U. S. A. and that they are the President and Secretary, respectively, of Breeze Corporations, Incorporated, the corporation described in, and which executed the foregoing instrument; that they know the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that they signed their names thereto by like order.

The corporate seal of Federal Laboratories Incorporated was affixed by Robert Reynolds, the President of said Company and said Robert Reynolds affixed his signature hereto on the 26th day of April, in the year of our Lord, nineteen hundred and forty, in the presence of: _____, Secretary; _____, Director.

UNITED STATES OF AMERICA,
State of New York,
County of New York, ss.:

I, Harry Rau, of the City of Pittsburgh, State of Pennsylvania, United States of America, Secretary of Federal Laboratories Incorporated, make oath and say that on the 26th day of April, A. D. 1940, I was present and saw the corporate seal of Federal Laboratories Incorporated af-

fixed to the annexed Deed by Robert Reynolds, the President of said Company, and that I saw said Robert Reynolds sign, execute and deliver the said Deed for the purposes therein mentioned and that I and ——— subscribed our names as the witnesses to the due execution thereof.

Sworn to this 26th day of April, A. D. 1940, before me ———, Notary Public.

STATE OF NEW YORK,

City of New York,

County of New York, ss: ———

On this 26th day of April, 1940, before me came Robert Reynolds and Harry Rau, to me known, who being by me duly sworn, did depose and say that they reside in the City of Pittsburgh, State of Pennsylvania, U. S. A. and that they are the President and Secretary, respectively of Federal Laboratories Incorporated, the corporation described in; and which executed the foregoing instrument; that they know the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that they signed their names thereto by like order.

[fol. 34] EXHIBIT "C" TO COMPLAINT

UNITED STATES DISTRICT COURT, DISTRICT OF NEW JERSEY

No. 1395

ROSCOE A. COFFMAN, Plaintiff,

vs.

FEDERAL LABORATORIES, INC., a corporation of the State of Delaware and Breeze Corporations, Inc., a Corporation of the State of New Jersey, Defendants

ANSWER OF DEFENDANT BREEZE CORPORATIONS, INC.

The defendant, Breeze Corporations, Inc., answering the plaintiff's complaint herein, says that:

1. It denies the allegations contained in paragraph 1 of the complaint herein.

2. It has no knowledge or information sufficient to form a belief as to the allegations contained in paragraphs 2, 3, or 4 of the complaint herein.

3. It denies the allegations contained in paragraphs 5, 6, 7, 8, 11, 12, 13, 14, 15, 16, 17, 18 and 19 of the complaint herein.

4. It admits the allegations contained in paragraph 9, except that for the greater certainty it begs leave to refer to the original of said agreement when the same may be produced, as to the terms, tenor and legal effect thereof.

5. It admits the allegations contained in paragraph 10 of the complaint herein.

First Separate Defense

The complaint fails to state a claim against the defendant, Breeze Corporations, Inc., upon which relief can be granted.

Second Separate Defense

The alleged right of action set forth in the complaint did not accrue within six years next before the commencement of this action.

[fol. 35] Third Separate Defense

The defendant alleges that the English companies, to wit, the Plessey Company Limited and Breeze Corporation of Great Britain Limited, offered to pay to the American companies, to wit, the Federal Laboratories, Inc., and the Breeze Corporations, Inc., the sum of \$402,000; \$16,000 of which was payment for a forty per cent (40%) stock interest which the defendant, Breeze Corporations, Inc., held in the Breeze Corporation of Great Britain Limited, and the balance \$384,000 was a lump sum payment for royalties due from the English companies to the American companies, to wit, Breeze Corporations, Inc., and Federal Laboratories, Inc. The defendant, Breeze Corporations, Inc., agreed with the defendant, Federal Laboratories, Inc., that the said sum of \$384,000 should be divided between them in the following proportions: \$284,000 to Breeze Corporations, Inc., and \$100,000 to Federal Laboratories, Inc.

This defendant alleges that the plaintiff agreed with the defendant, Federal Laboratories, Inc., to accept fifty

per cent (50%) of the sum of \$100,000 which was paid to the defendant, Federal Laboratories, Inc., and accepted by it in lieu of royalties due from the English companies and that the said plaintiff did in fact accept the sum of \$50,000 after he had full knowledge of all the facts herein alleged, and with full knowledge of all of the said facts executed and delivered to the English companies a general release of any and all claims for royalties.

Fourth Separate Defense

The court is without jurisdiction over the subject matter.
Milton, McNulty & Angelli, Attorneys for Defendant, Breeze Corporations, Inc.

[fol. 36]

EXHIBIT "D" TO COMPLAINT

War Department, Washington

Royalty Adjustment Order No. W-9

(Royalty Adjustment Act 1942, Public Law 768,
77th Cong.; 35 U. S. C., 89-96)

IN THE MATTER OF

ROSCOE A. COFFMAN, Licensor,

and

FEDERAL LABORATORIES, INC., and BREEZE CORPORATIONS, INC., Licensee.

Whereas, pursuant to authority contained in the Royalty Adjustment Act 1942, Public Law 768, 77th Cong.; 35 U. S. C., 89-96, written notice was given on or about March 1943, to Roscoe A. Coffman (hereinafter called "Licensor") and to Federal Laboratories, Inc., and to Breeze Corporations, Inc. (individually and collectively herein after called "Licensee"), that the rates or amounts of royalties, provision for the payment of which by Licensee to Licensor is made in an agreement between Roscoe A. Coffman as licensor and Federal Laboratories, Inc., as licensee, dated December 8, 1932, and which payments are made by Breeze Corporations, Inc., in its capacity as ex-

clusive sales agent and distributor for Federal Laboratories, Inc., under an agreement between Breeze Corporations, Inc., and Federal Laboratories, Inc., dated April 28, 1937, extended by agreement of April 28, 1939, or by virtue of the corporate relationship existing between Breeze Corporations, Inc., and Federal Laboratories, Inc., or by virtue of any other relationship, arrangement, agreement or understanding, according to which said royalties are paid by them or either of them to Licensor in respect of certain alleged inventions in or relating to cartridge starters, and which said royalties are directly or indirectly charged or chargeable to the War Department for or on account of the manufacture, use, sale or other disposition for the United States of said alleged inventions, were believed to be unreasonable or excessive taking into account the conditions of wartime production, and that until the making of an Order herein no royalties should be paid by Licensee to Licensor on account of such manufacture, use, sale or other disposition for the United States; and

Whereas, Licensor, upon his request, has presented in person and through his accountant such facts and circumstances as he desired having a bearing upon the rates or amounts of royalties to be determined, fixed and specified by Order pursuant to said Act:

[fol. 37] Now, therefore, pursuant to authority of and for the purposes set forth in said Act, and upon taking into account the facts and circumstances presented as aforesaid, the conditions of wartime production, and such other facts and circumstances as ought properly to be considered in determining a fair and just rate or amount of royalties in the premises, it is hereby ordered as follows, viz:

(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows:

(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight (\$8) Dollars each, and

(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties;

but not to exceed the sum of Fifty Thousand (\$50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the War Department and the Navy Department, added together.

(2) Until further Order, Licensee is hereby *authorized* to pay to Licensor, on account of any manufacture, use, sale or other disposition of said alleged inventions for the War Department heretofore occurred, or hereafter occurring while Sections 1 and 2 of said Act remain in force, royalties at the rate and not to exceed the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above-mentioned license agreement dated December 8, 1932, and

(b) any license or arrangement between Licensor and Licensee entered into on or after the effective date of said notice and during the time that Sections 1 and 2 of said Act remain in force which in any respect continues, supplements, modifies or supersedes the license referred to in subparagraph (a) hereof or the present arrangement under which said royalties are paid.

(3) Licensee is hereby directed to pay over to the Treasurer of the United States, through Commanding General, Army Air Forces Materiel Command, attention, Royalty Adjustment Board, Wright Field, Dayton, Ohio, the balance, in excess of the payments authorized by paragraph (2) hereof, of all royalties specified in the licenses or arrangements referred to in paragraph (2) hereof which were due to Licensor and were unpaid on the effective date of said notice or since said date have or may hereafter become due to Licensor, on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department heretofore occurred or hereafter occurring while Sections 1 and 2 of said Act remain in force; and demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor.

(4) Reservation is hereby expressly made of the right to amend, modify, revoke or extend this Order as changed

conditions may warrant, and of the right of the head of any department or agency of the Government, including but not limited to the War Department, to take such other, [fol. 38] further and different action as may be authorized by any statute of the United States with respect to the licenses mentioned in paragraph (2) hereof or any other license which includes provision for the payment of royalties directly or indirectly chargeable to the Government for or on account of the manufacture, use, sale or other disposition for the United States of said alleged inventions.

(5) This Order is made concurrently with the making of a similar order by or in behalf of the Secretary of the Navy.

It is recommended that the Secretary of War make the foregoing Order.

Earl S. Patterson, Colonel, J. A. G. D., Assistant
Air Judge Advocate.

The foregoing Order is hereby made.

W. F. Volandt, Colonel, Air Corps, Chief, Procurement Branch, Materiel Division, Office of the Assistant Chief of Air Staff, Materiel, Maintenance and Distribution.

The foregoing Order is hereby approved in behalf of the Secretary of War.

By direction of the Under Secretary of War:

Fred C. Foy, Colonel, General Staff Corps, Acting
Director, Purchases Division, Headquarters, Army
Service Forces.

Dated: Washington, D. C., December 18, 1943.

[Vol. 39]

EXHIBIT "E" TO COMPLAINT

ROYALTY ADJUSTMENT ORDER NO. N-7

(Royalty Adjustment Act 1942, Public Law 768, 77th Cong.; 35 U. S. C., 89-96)

In the Matter of ROSCOE A. COFFMAN, Licensor,

and

FEDERAL LABORATORIES, INC., AND BREEZE CORPORATIONS,
INC., Licensee.

Whereas, pursuant to authority contained in the Royalty Adjustment Act 1942, Public Law 768, 77th Cong., 35 U. S. C., 89-96, written notice was given on or about February 24, 1943, to Roscoe A. Coffman (hereinafter called "Licensor") and to Federal Laboratories, Inc., and to Breeze Corporations, Inc., (individually and collectively hereafter called "Licensee"), that the rates or amounts of royalties, provision for the payment of which by Licensee to Licensor is made in an agreement between Roscoe A. Coffman as Licensor and Federal Laboratories, Inc., as Licensee, dated December 8, 1932, and which payments are made by Breeze Corporations, Inc., in its capacity as exclusive sales agent and distributor for Federal Laboratories, Inc., under an agreement between Breeze Corporations, Inc., and Federal Laboratories, Inc., dated April 28, 1937, extended by agreement of April 28, 1939, or by virtue of the corporate relationship existing between Breeze Corporations, Inc., and Federal Laboratories, Inc., or by virtue of any other relationship, arrangement, agreement or understanding, according to which said royalties are paid by them or either of them to Licensor in respect of certain alleged inventions in or relating to cartridge starters, and which said royalties are directly or indirectly charged or chargeable to the Navy Department for or on account of the manufacture, use, sale, or other disposition for the United States of said alleged inventions, were believed to be unreasonable or excessive taking into account the conditions of wartime production, and that until the making of an Order herein no royalties should be paid by Licensee to Licensor on account of such manufacture, use, sale or other disposition for the United States; and

Whereas, Licensor, upon his request, has presented in person and through his accountant such facts and circumstances as he desired having a bearing upon the rates or amounts of royalties to be determined, fixed and specified by Order pursuant to said Act:

Now therefore, pursuant to authority of and for the purpose set forth in said Act, and upon taking into account [fol. 40] the facts and circumstances presented as aforesaid, the conditions of wartime production, and such other facts and circumstances as ought properly to be considered in determining a fair and just rate or amount of royalties in the premises, it is hereby ordered as follows, viz:

(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows:

(a) upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight (\$8.00) Dollars each, and

(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties;

but not to exceed the sum of Fifty Thousand (\$50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the Navy Department and the War Department, added together.

(2) Until further Order, Licensee is hereby authorized to pay to Licensor, on account of any manufacture, use, sale or other disposition of said alleged inventions for the Navy Department heretofore occurred, or hereafter occurring while Sections 1 and 2 of said Act remain in force, royalties at the rate and not to exceed the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above-mentioned license agreement dated December 8, 1932, and

(b) any license or arrangement between Licensor and Licensee entered into on or after the effective date of said notice and during the time that Sections 1 and

2 of said Act remain in force which in any respect continues, supplements, modifies or supersedes the license referred to in subparagraph (a) hereof or the present arrangement under which said royalties are paid.

(3) Licensee is hereby directed to pay over to the Treasurer of the United States, through Commanding General, Army Air Forces Materiel Command, attention, Royalty Adjustment Board, Wright Field, Dayton, Ohio, the balance, in excess of the payments authorized by paragraph (2) hereof, of all royalties specified in the licenses or arrangements referred to in paragraph (2) hereof which were due to Licensor and were unpaid on the effective date of said notice, or since said date have or may hereafter become due to Licensor, on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department heretofore occurred or hereafter occurring while Sections 1 and 2 of said Act remain in force; and demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor.

(4) Reservation is hereby expressly made of the right to amend, modify, revoke or extend this Order as changed conditions may warrant; and of the right of the head of any department or agency of the Government, including but not limited to the Navy Department, to take such other, further and different action as may be authorized by any [fol. 41] statute of the United States with respect to the licenses mentioned in paragraph (2) hereof or any other license which includes provision for the payment of royalties directly or indirectly chargeable to the Government for or on account of the manufacture, use, sale or other disposition for the United States of said alleged inventions.

(5) This Order is made concurrently with the making of a similar order by or in behalf of the Secretary of War.

— Harold G. Bowen, Rear Admiral, U. S. N.; Richard Spencer, Commander, U. S. N. R.

Approved: Forrestal, Acting Secretary of the Navy

[fol. 42] IN DISTRICT COURT OF THE UNITED STATES FOR THE
DISTRICT OF NEW JERSEY

[Title omitted]

ORDER FOR TEMPORARY RESTRAINT—January 7, 1944

Upon reading and filing the verified complaint and the exhibits annexed thereto in the above entitled cause, and the Court finding from the evidence submitted to the Court in the form of the affidavits and exhibits annexed to the complaint that irreparable loss or damage will result to the plaintiff-petitioner if the royalties due him under the contracts Exhibit "A" annexed to the complaint, for the year 1943 aggregating approximately \$260,000.00 are paid approximately \$50,000.00 to the plaintiff and the remainder, to wit, approximately \$210,000.00 are paid pursuant to the terms of Royalty Adjustment Orders Nos. W-9 and N-7 to the Treasurer of the United States, no method or means being specified in the appropriate act of Congress for the return of such royalties forthwith from the Secretary of the Treasury to the plaintiff or to the defendants once they are paid to the Treasurer of the United States without a lengthy and costly suit by the plaintiff in the event that the act under which said Royalty Adjustment Orders Nos. W-9 and N-7 issued, to wit: Public Law 768 of the 77th Congress should be declared unconstitutional in accordance with the prayer of plaintiff's complaint, and good cause appearing, it is, on this 7th day of January, 1944.

[fols. 43-45] Ordered that defendants Breeze Corporation, Inc., a New Jersey corporation, and Federal Laboratories, Inc., a Delaware corporation, and their respective officers, agents and attorneys, be and they hereby are enjoined and restrained until a hearing has been held by a special court of three judges, upon notice to the Attorney General of the United States and the said defendants, and determination shall be made by such court, from paying to the Treasurer of the United States all royalties in excess of \$50,000.00 due and payable to the plaintiff pursuant to an agreement made between the plaintiff and the defendant Federal Laboratories, Inc., dated December 8, 1932, in compliance with Royalty Adjustment Orders Nos. W-9 and N-7 which have been served upon the plaintiff and the defendants herein.

Further Ordered that a true copy of this order and of the complaint with affidavits and exhibits annexed thereto, shall be served forthwith upon the defendants and also upon the United States Attorney for the District of New Jersey, and a copy forthwith shall be mailed to the Attorney-General of the United States at his office in Washington, D. C.

William F. Smith, District Judge.

[fol. 46] IN DISTRICT COURT OF THE UNITED STATES FOR THE
DISTRICT OF NEW JERSEY

Civil Action No. 6

ROSCOE A. COFFMAN, Plaintiff,

v.

FEDERAL LABORATORIES, INC., a Corporation of the State of Delaware, and Breeze Corporations, Inc. a Corporation of the State of New Jersey, Defendants

RESPONSE TO CERTIFICATION OF JANUARY 7, 1944 AND MOTION
FOR LEAVE TO INTERVENE

UNITED STATES OF AMERICA, Applicant for Intervention

Now comes the United States of America, by Assistant Attorney General Francis M. Shea, and shows that:

(1) On January 7, 1944 the clerk of this court notified the Attorney General, pursuant to the Act of August 24, 1937, 28 U. S. C., Sec. 401, that the plaintiff in the above-entitled case has challenged the constitutionality of the Act of October 31, 1942 (Public Law 768, 77th Congress, approved October 31, 1942, 35 U. S. C., Secs. 89-96). There has been duly served upon the Attorney General a copy of the Bill of Complaint filed January 7, 1944; (a) seeking injunctions forbidding compliance by defendants with Royalty Adjustment Orders W-9 and N-7 issued under said Act of October 31, 1942, and (b) praying that the said Act and said Orders W-9 and N-7 thereunder be adjudged null and void. There has also been served upon the Attorney General a copy of the order of Hon. William F. Smith, District Judge, granting a temporary restraining order pending hearing before a special three-judge court, upon notice to the Attorney General and the defendants, and determination by such court.

(2) Since there is thus drawn in question in a court of the [fol. 47] United States an Act of Congress affecting the public interest, in a suit to which neither the United States nor any agency, officer, or employee thereof is a party, the United States hereby moves pursuant to the Act of August 24, 1937 (28 U. S. C., Sec. 401) and Rule 24 (a) of the Federal Rules of Civil Procedure for leave to intervene and become a party for the purposes of said Act.

(3) The United States further moves that it have until February 7, 1944, to file a Pleading in Intervention, and that the court fix a time within which the parties hereto, if so advised, may reply to such pleading, in default of which, or to the extent not denied in such responsive pleading as the parties may file and serve, the affirmations thereof shall be deemed admitted.

(4) The United States prays that upon the granting of this motion, the hearing now set before the special court at the U. S. Courthouse, Newark, N. J., on Saturday, January 15, 1944, at 10:30 a. m., be continued until March 1, 1944, or such later date as this court may designate in order that the United States may have the necessary time for an adequate study of the constitutional issues involved and the filing of a brief herein.

Francis M. Shea, Assistant Attorney General.

January, 1944.

[fol. 48] IN UNITED STATES DISTRICT COURT, DISTRICT OF
NEW JERSEY

[Title omitted]

ORDER PERMITTING UNITED STATES OF AMERICA TO
INTERVENE, ETC.

This matter coming on to be heard on the 15th day of January, 1944 before Circuit Court Judge Gerald McLaughlin, District Court Judge Guy L. Fiske and District Court Judge William F. Smith, on a Response to Certification that the plaintiff in the above-entitled proceeding has challenged the constitutionality of the Act of October 31, 1942 (Public Law 768, 77th Congress, approved October 31, 1942, 35 U. S. C. A., Sections 89-96), which Response to

Certification was filed by Howard M. Lawn, Assistant United States Attorney, appearing on behalf of the United States of America and in the presence of Edward J. O'Mara, Esq. of Wall, Haight, Carey and Hartpence, attorneys for the defendant, Breeze Corporations, Inc., and Thomas McNulty, Esq. of Milton, McNulty and Augelli, co-attorneys for the defendant, Breeze Corporations, Inc., and Herbert J. Dwyer, Esq., Secretary of defendant Breeze Corporations, Inc., and James D. Carpenter, Jr. of Carpenter, Gilmour and Dwyer, appearing for the plaintiff; and the said Assistant United States Attorney, having moved to intervene and become a party in said cause and for leave to file a pleading in intervention, that the Court fix a time within which the parties hereto may reply to such pleading, and the Court having heard argument by counsel on the motion of the United States of America for leave to intervene and be made a party in the proceedings, and the United States having moved that the hearing be continued [fol. 49] until March 1st, 1944, or a date thereafter, to be fixed by the Court, and the Court having determined that no continuance of the hearing on the injunction could be granted, and the Court having determined that the interlocutory injunction against the defendants, Breeze Corporations, Inc. and Federal Laboratories, Inc., should issue and continue until the date of final hearing, and no one having interposed objection thereto, and good and sufficient reason therefor appearing.

It is, on this 26th day of January, 1944, Ordered, Adjudged and Decreed as follows:

1. That the United States of America is deemed to be a party in the above-entitled proceeding and shall, on or before February 7th, 1944, file herein and serve upon the attorneys for the plaintiff and the attorneys for the defendants herein, a pleading in intervention in said cause and serve its briefs upon said parties in said cause.

2. On or before February 15th, 1944, the plaintiff and defendants shall file their replies to the pleading in intervention of the United States of America.

3. Plaintiff shall file his brief forthwith and the United States of America shall file its answering brief on or before February 7th, 1944, whereupon plaintiff and defendants may file reply brief thereto on or before February 15th, 1944 and serve the same on all parties in this proceeding.

4. Plaintiff and defendants and the United States of America shall submit stipulation of the facts in the cause or, in the alternative, shall submit stipulation of as many facts as can be mutually agreed upon with a statement of the unresolved facts, forthwith.

5. The defendants, Breeze Corporations, Inc. and Federal Laboratories, Inc., are hereby enjoined and restrained from paying any money to the Treasurer of the United States, pursuant to Royalty Adjustment Orders Nos. W-9 and N-7, until March 4th, 1944, and until the further order of this Court in the premises.

6. Final hearing on all matters involved in the above-entitled cause shall be heard before this Court on the 4th [fol. 50] day of March, 1944 at 10:30 o'clock in the forenoon at the United States Court House and Post Office Building, Federal Square, Newark, New Jersey.

Gerald McLaughlin, Judge, United States Circuit Court of Appeals for the Third Circuit; Guy L. Fake, Judge, United States District Court; William F. Smith, Judge, United States District Court.

[fol. 50-a] IN DISTRICT COURT OF THE UNITED STATES FOR
THE DISTRICT OF NEW JERSEY

[Title omitted]

ANSWER OF DEFENDANT BREEZE CORPORATIONS, INC. TO
PLAINTIFF'S COMPLAINT

1. Defendant Breeze Corporations, Inc. has no knowledge or information sufficient to form a belief as to whether plaintiff is a resident of Las Vegas, Nevada, and a citizen of the State of Nevada, as alleged in paragraph 1 of plaintiff's complaint.

It denies that it is in full and complete control of Federal Laboratories, Inc., a corporation of the State of Delaware, and it denies that the amount involved in this action is in the sum of \$3,000.00 exclusive of interest and costs.

2. It has no knowledge or information sufficient to form a belief as to the allegations contained in paragraph 2 ex-

cept so much thereof as describes the operation of the starters:

3: It has no knowledge as to the allegations of paragraph 3 that on December 8, 1932 plaintiff and defendant Federal Laboratories, Inc. entered into a License Agreement marked Exhibit "A", but is informed and believes it to be true. It denies the other allegations, except that it is the owner of all of the common capital stock of the Federal Laboratories, Inc.

[fol. 50b] 4. It denies the allegations of paragraph 4, but alleges that the defendant Breeze Corporations, Inc. began the manufacture and sale of starters for Federal Laboratories, Inc. under and pursuant to a written agreement between this defendant Breeze Corporations, Inc. and Federal Laboratories, Inc. dated April 28, 1937 and thereafter extended by agreement of the same parties dated April 28, 1939.

5. It has no knowledge or information sufficient to form a belief concerning the allegations of paragraph 5 except that it denies that it purchased the outstanding common capital stock of Federal Laboratories, Inc. for the purpose of securing control of the manufacture and sale of plaintiff's starters and shells, and it denies that in September, 1937, this defendant commenced arbitrarily deducting from remittance of royalties to plaintiff 25% thereof on each accounting period. This defendant denies that it made any remittances of royalties to plaintiff and it denies all of the other allegations of paragraph 5.

6. Defendant denies the allegations contained in paragraph 6 except that it admits that plaintiff commenced an action known as civil action No. 1395 in February, 1941 in the District Court of the United States for the District of New Jersey against Federal Laboratories, Inc. and Breeze Corporations, Inc., but as to the relief sought by the plaintiff in the said action this defendant begs leave to refer to the original records of the said proceedings on file in the said court. The Exhibits "B" and "C" purport to be copies of the pleadings referred to but for greater certainty this defendant begs leave to refer to the originals thereof when the same may be produced. Plaintiff further [fol. 50c] alleges that on April 12, 1943 an order was duly entered in the said cause signed by Honorable William F.

Smith, U. S. D. J. and approved as to form by the attorneys for the plaintiff dismissing the said action as to the defendant Federal Laboratories, Inc. It is untrue that said action is at issue as to the defendant Federal Laboratories, Inc. Issue has been joined as to this defendant and the action is on the calendar awaiting trial in due course. It is wholly untrue that in the said action the court after hearing has ruled that the plaintiff shall be permitted to recover any and all royalties that accrue not to the date of the commencement of said action but to the date of the trial thereof. There has been no trial or hearing on the merits of the controversy and no adjudication by the court of the issues in any respect.

7. It is untrue as stated in paragraph 7 that pursuant to an order of the United States District Court for the District of New Jersey that the plaintiff had accountants examine the books of the two defendant corporations for the purpose of determining the royalties due plaintiff under the terms of the agreement, Exhibit "A". The said court did make an order under date of January 14, 1943 authorizing the plaintiff to make an examination of the books of this defendant, which order was followed by another order dated July 16, 1943 which order was also directed solely to the defendant Breeze Corporations, Inc. This defendant alleges that no order was made in the said cause or in any other cause by the said court against the Federal Laboratories, Inc. but that the said action was dismissed by the said court as to the defendant Federal Laboratories, Inc. as hereinabove set forth. This defendant has no knowledge or information sufficient to form a belief as to what [fol. 50d] the plaintiff's accountants in their examination of this defendant's books may have determined, but this defendant alleges that no determination made by the plaintiff's accountants is in any way binding upon this defendant and it denies that any sum whatsoever is due from it to the plaintiff either by way of royalties or otherwise or that any sum will accrue to the plaintiff from this defendant in the future either by way of royalties or otherwise.

8. This defendant has no knowledge of the allegations contained in paragraph 8 except that it admits that the said order was served upon this defendant.

9. This defendant denies that it is indebted to the plaintiff under the terms of the license agreement, Exhibit "A", for royalties on Coffman starters, parts and shells for the calendar year 1943 in the sum of \$210,000.00 or in any other sum.

10. This defendant has no knowledge or information sufficient to form a belief as to the statements contained in paragraph 10.

11. This defendant admits that it has not paid to the plaintiff the sum of \$50,000.00 mentioned in Royalty Adjustment Orders Nos. W-9 and N-7, nor has it made payment of any other moneys as royalties or otherwise to the Treasurer of the United States pursuant to said Royalty Adjustment Orders, and it denies that any such moneys are due from it to the said plaintiff or to the Treasurer of the United States pursuant to the said orders. This defendant denies the remaining allegations of paragraph 11.

[fol. 50c] 12. This defendant alleges that whether the statute referred to in paragraph 12 is valid or invalid is a matter which is immaterial to this defendant for the reason that it owes the plaintiff no money as royalties or otherwise.

Wall, Haight, Carey & Hartpence, by Edward J. O'Mara, a Member of said Firm, Co-Attorneys for defendant, Breeze Corporations, Inc. Milton McNulty & Angeli, by Thomas McNulty, a Member of said Firm, Co-Attorneys for defendant, Breeze Corporations, Inc.

Clerk's Certificate to foregoing paper omitted in printing.

[fol. 51] IN DISTRICT COURT OF THE UNITED STATES FOR THE
DISTRICT OF NEW JERSEY

Civil Action No. —

ROSCOE A. COFFMAN, Plaintiff,

v.

FEDERAL LABORATORIES, INC., a Corporation of the State of
Delaware, and Breeze Corporations, Inc., a Corporation
of the State of New Jersey, Defendants

UNITED STATES OF AMERICA, Intervenor

MOTION OF INTERVENOR TO DISMISS COMPLAINT

Comes now the United States of America as intervenor
in this action, pursuant to this Court's order of January
15, 1944, and moves the Court to dismiss the complaint
filed by the plaintiff herein on the grounds that:

1. The Court lacks jurisdiction over the subject matter
of the action in that:

(a) The complaint sets out no case or controversy ap-
propriate for judicial determination;

(b) The complaint fails to show an actual controversy
within the meaning of the Federal Declaratory Judgment
Act (48 Stat. 955, as amended; 28 U. S. C. § 400);

(c) The complaint is premature in requesting the relief
sought.

2. Plaintiff has no standing to maintain this proceeding.

3. The complaint states no cause of action warranting
equitable relief, in that:

(a) The complaint fails to show that equitable relief
is necessary to avoid irreparable injury to plaintiff; and

(b) The plaintiff has a plain, complete and adequate
remedy at law.

[fol. 52] 4. Plaintiff has no standing to challenge the valid-
ity of the Royalty Adjustment Act (Act of October 31, 1942,
56 Stat. 1013, 35 U. S. C. §§ 89-96), or Royalty Adjustment
Orders No. W-9 and No. N-7 issued by the War and Navy
Departments, respectively, pursuant to that Act, until the
licensee, Federal Laboratories, Inc., is subjected to the

jurisdiction of this Court by due service, voluntary appearance, or otherwise.

5. The complaint fails to state a cause of action against the defendants or any of them upon which relief can be granted, in that:

(a) The aforesaid Royalty Adjustment Act is constitutional and valid, and

(b) The aforesaid Royalty Adjustment Orders No. W-9 and No. N-7 are proper.

Francis M. Shea, Assistant Attorney General; Thorn
Lord, United States Attorney, Attorneys for In-
tervenor.

February 5, 1944.

[fol. 33] IN DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF NEW JERSEY

(Title omitted.)

STIPULATION AS TO NOTICES

The court having requested that the annexed notices Exhibits "A" and "B" from James Forrestal, Acting Secretary of the Navy, and W. F. Volandt, Assistant Chief of Staff (C), Materiel Command, Hdqrs. A. A. F., dated respectively February 24, 1943 and March 3, 1943, addressed to Roscoe A. Coffman, Breeze Corporations, Inc. and Federal Laboratories, Inc. be made a part of the record in the above entitled cause,

It is hereby stipulated that the annexed copies of notices are true copies of the notices sent by the said Acting Secretary of the Navy and the said Assistant Chief of Staff to the plaintiff and defendants in the above entitled cause, and that they shall form a part of the record in the above entitled cause.

Carpenter, Gilmour & Dwyer, Attorneys for Plain-
tiff; Lester P. Schöene, Special Assistant to the
Attorney General of the United States of America.

Dated: March 7, 1944.

[fol 54]

EXHIBIT "A" TO STIPULATION

The Secretary of the Navy, Washington

Feb. 24, 1943.

DEAR SIR:

Pursuant to the Act of October 31, 1942 (Public Law 768, 77th Congress, 2nd Session), a copy of which is enclosed, notice is hereby given that the royalties now being paid directly or indirectly by the United States under certain contracts in which the Federal Laboratories, Inc. is either a prime contractor or a subcontractor and in which the Breeze Corporations, Inc. is either a prime contractor or a subcontractor are believed to be unreasonable or excessive. These payments are made by virtue of an agreement between Roscoe A. Coffman as licensor and Federal Laboratories, Inc., as licensee, dated December 8, 1932.

This notice becomes effective upon receipt hereof or 5 days after the mailing hereof, viz., February 24, 1942, whichever date is the earlier.

Under the Act, the licensee or licensor, if he so requests within 10 days from and after the effective date of this notice, may within 30 days from the date of such request present to the Secretary of the Navy or his authorized representative in writing or in person any facts or circumstances which may, in his opinion, have a bearing upon the rates or amounts of royalties, if any, to be determined, fixed and specified, all as provided in said Act.

As provided in said Act, an order will issue fixing and specifying the rates or amounts of royalties, if any, which are determined to be fair and just taking into account the conditions of war-time production.

This Act provides that the licensee shall not after the effective date of this notice pay to the licensor, nor charge directly or indirectly to the United States, royalties, if any, in excess of those which may be specified in the order to be hereafter made. Until the making of such order no royalties should be paid on account of the manufacture, use, sale, or other disposition for the United States.

Very truly yours, (Sgd.) James Forrestal, Acting Secretary of the Navy

Roscoe Coffman, R. F. D. #1, Box 136, Fallbrook, California.

Breeze Corporation, 41 So. 6th Street Newark, New Jersey.

Federal Laboratories, Inc., 185 41st. Street, Pittsburgh, Pa.

Enclosure:

[fol. 55]

EXHIBIT "B" TO STIPULATION

March 3, 1943.

GENTLEMEN:

Notice is hereby given, pursuant to the Act of October 31, 1942, Public Law 768, 77th Congress, that all money or other considerations being paid or given by way of royalty or otherwise, either directly or indirectly, by the War Department, under contracts and subcontracts and purchases involving the alleged use of certain purported inventions, patents and applications for patents, and all additions and improvements thereof, if any, under or by virtue of that certain agreement between Roscoe A. Coffman as Licensor and Federal Laboratories, Inc., as Licensee, dated December 8, 1942, and all additions to or amendments thereof, (including without prejudice to the generality of the foregoing description Patent No. 1,776,228 and Patent Applications Nos. 585,594, 581,032, 586,057, 595,403, 595,924, 388,879 and 536,389), are believed to be unreasonable or excessive.

You are hereby further notified that from and after the effective date of this notice, the licensee, Federal Laboratories, Inc., and assignees or successors in interest, Breeze Corporations, Inc. shall not pay to the licensor, Roscoe A. Coffman or to his assignees or successors in interest, nor charge directly or indirectly to the United States of America, any moneys or other considerations as royalties or otherwise until an order is made as provided in said Act, fixing and specifying the rates or amounts of royalty, if any, to be paid.

This notice becomes effective upon receipt hereof or five days after the mailing hereof, viz., March 4, 1943, whichever date is the earlier.

Under the Act, the licensee or licensor, if he so requests within ten days from and after the effective date of this notice, may within thirty days from the date of such request present to the Assistant Chief of Staff (C), Materiel Com-

mand, Army Air Forces, Washington, D. C., or Any other officer or officers that may be hereafter designated, in writing or in person any facts or circumstances which may, in his opinion, have a bearing upon the rates or amounts of royalties, if any, to be determined; fixed and specified, all as provided in said Act.

As provided in said Act, an order will issue fixing and specifying the rates or amounts of royalties, if any, which are determined to be fair and just taking into account the conditions of war-time production.

[fol. 56] All communications with regard to the subject matter of this Notice will be addressed to Colonel W. F. Volandt, Assistant Chief of Staff (C), Materiel Command, Headquarters Army Air Forces, Washington, D. C.

Sincerely yours, (Sgd.) W. F. Volandt, Asst. Chief of Staff (C), Materiel Command, Hdqrs., A.A.F.

To: Breeze Corporations, Inc., 41 South 6th Street, Newark, New Jersey. Federal Laboratories, Inc., 41 South 6th Street, Newark, New Jersey. Roscoe A. Coffman, R. F. D. #1, Box 136, Fallbrook, California.

[fol. 57] IN UNITED STATES DISTRICT COURT, DISTRICT OF
NEW JERSEY

Civil No. 3289

ROSCOE A. COFFMAN, Plaintiff,

vs.

FEDERAL LABORATORIES, INC., a Corporation of the State of Delaware, and

BREEZE CORPORATIONS, INC., a Corporation of the State of New Jersey, Defendants,

UNITED STATES OF AMERICA, Intervenor

Before McLaughlin, Circuit Judge, and Fake and Smith, District Judges, designated pursuant to the Act of August 24, 1937, c. 754, § 3, 50 Stat. 752, 28 U. S. C. A. 380a.

OPINION

SMITH, District Judge:

This is a civil action brought by the plaintiff Roscoe A. Coffman against the defendants Federal Laboratories, Inc.,

and Breeze Corporations, Inc., to enjoin the said defendants alleged threatened compliance with two Royalty Adjustment Orders, the one (No. W-9) issued by the War Department, and the other (No. N-7) issued by the Navy Department, pursuant to and in accordance with the provisions of the Royalty Adjustment Act, 56 Stat. 1013-1015, 35 U. S. C. A. 89-96. The defendant Federal Laboratories, Inc., although joined as a party, was not served with process and did not enter an appearance.

[fol. 58] This suit, as it now stands, has for its only object injunctive relief against the defendant Breeze Corporations, and presents an anomalous situation. The plaintiff, without invoking the judgment of the Court on any other issues, challenges the constitutionality of the Royalty Adjustment Act and the validity of the Royalty Adjustment Orders issued thereunder, and prays injunctive relief. The defendant, although entering an appearance, neither denies the allegations that the Act is unconstitutional and the Orders are invalid nor resists the application for an injunction, but assumes a neutral position. The reason for this neutrality becomes apparent upon a reading of the facts hereinafter summarized. The only opposition is that offered by the United States, the intervenor.

The United States, having been permitted to intervene, moved to dismiss the complaint on the grounds: first, that the Court lacked jurisdiction because of the failure of the complaint to state a justiciable controversy, and second, that the Court lacked jurisdiction to grant injunctive relief because of the want of equity. The Court, having reserved decision on the motion, proceeded to hear argument on the merits, but our decision on the motion makes consideration of the merits unnecessary.

A brief summary of the events which led to the present action will be conducive to a clear understanding, not only of the questions raised by the motion, but also of the reasons advanced by the Court in support of its decision. [fol. 59] The plaintiff, the sole owner of a series of patents covering inventions therein defined, under an agree-

¹Act of August 24, 1937, c. 754, § 1, 50 Stat. 751, 28 U. S. C. A. 401.

ment dated December 18, 1932, granted to the Federal Laboratories an exclusive license to manufacture, use, and sell the inventions. The said agreement fixed the "license fee or royalty" in an amount "equal to six percent (6%) of the . . . net selling price on all devices and parts thereof sold." The Federal Laboratories, under agreements dated April 28, 1937 and April 28, 1939, employed and engaged the defendant Breeze Corporations, as the "exclusive sales agent and distributor," to manufacture and sell the inventions.

On February 18, 1941 the plaintiff instituted an action in this court (Civil Action No. 1395) against Federal Laboratories in addition to other relief, an accounting for royalties allegedly due and owing under the said license agreement and wrongfully withheld. The other issues raised in that action are not pertinent here and need not be discussed. The defendant Breeze Corporations, answering the complaint, denied any liability for royalties allegedly due and owing under the license agreement; Federal Laboratories, not having been served with process, did not answer. That action, hereinafter referred to as the law action, is still pending and awaiting trial.

While the law action was pending, the representatives of the War Department, pursuant to the provisions of the Royalty Adjustment Act, and particularly Section 1 thereof, 35 U. S. C. A. 89, having determined that the fees and royalties payable to the plaintiff under the said license agreement on patented devices manufactured for and [fol. 60] chargeable to the said Department, either directly or indirectly, were unreasonable and excessive, adjusted the basis of compensation and fixed both the "rates and the amount" of royalties in amounts determined by them to be "fair and just." The terms and conditions of the adjustment were embodied in Royalty Adjustment Order No. W-9, the pertinent provisions of which are recited in *Oratories and Breeze Corporations* ² in which he demanded,

² Between July of 1937 and October of 1942, while the contracts were in force and effect, the defendant Breeze Corporations acquired all of the common stock and most of the preferred stock of the Federal Laboratories, and this stock it still owns.

in the footnote.³ The representatives of the Navy Department, following a like procedure, issued Royalty Adjustment Order No. N-7, in which identical terms and conditions were incorporated.

(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows:

(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight (\$8) Dollars each, and

(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties; but not to exceed the sum of Fifty Thousand (\$50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943, in respect of starters sold to or for the War Department and the Navy Department, added together.

(2) Until further Order, Licensee is hereby authorized to pay to Licensor, on account of any manufacture, use, sale or other disposition of said alleged inventions for the War Department heretofore occurred, or hereafter occurring while Sections 1 and 2 of said Act remain in force, royalties at the rate and not to exceed the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above-mentioned license agreement dated December 8, 1932, and

(b)

(3) Licensee is hereby directed to pay over to the Treasurer of the United States, the balance, in excess of the payments authorized by paragraph (2) hereof, of all royalties specified in the licenses referred to in paragraph (2) hereof which were due to Licensor and were unpaid on the effective date or since said date have or may hereafter become due to Licensor, on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department heretofore occurred or hereafter occurring while Sections 1 and 2 of said Act remain in force; and demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor."

The Orders, in addition to modifying the basis of compensation, fixed the maximum sum payable to the plaintiff in each calendar year at fifty thousand dollars, and directed that "the balance, in excess of the payments authorized * * *, of all royalties specified in the licenses * * * which were due to Licensor (plaintiff) and were unpaid on [fol. 61] the effective date * * *, or since said date have or may hereafter become due to Licensor, on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department * * *," be paid to the Treasurer of the United States.

In December 1943, certified copies of these orders were served on all of the interested parties, to wit, Rosecoe A. Coffman, Federal Laboratories, and Breeze Corporations. The present action followed. The defendant Breeze Corporations filed an answer in which it denied liability to either the plaintiff or the Treasurer of the United States, a position consistent with its stand in the earlier law action. The said defendant, however, asserted no right or defense predicated upon either the Orders or the Act, and did not controvert the plaintiff's allegations that the former were invalid and the latter was unconstitutional.

It is reasonably apparent, upon consideration of the facts and circumstances embraced within the pleadings and herein summarized, that as between the immediate parties to this action there is no "case" or "controversy," within the meaning of Article 3, Section 2, of the Constitution. The complaint does not invoke the judgment of the Court on the respective rights and liabilities of the parties, but invites only an adjudication on the constitutionality of the Statute and the validity of the Orders; such an adjudication is not essential to the determination of any right or interest asserted by the plaintiff and controverted by the defendant in this action. This defendant, as hereinabove stated, asserts no right or defense predicated upon either the Act or the Orders, and offers no resistance to the application for injunctive relief. The "adverse legal interests" in the subject of inquiry requisite to a "case" [fol. 62] or "controversy" are obviously absent. This defect is fatal to the jurisdiction of the Court. *South Spring Gold Co. v. Amador Gold Co.*, 145 U. S. 300; *Fair-*

child v. Hughes, 258 U. S. 126; Massachusetts v. Mellon, 262 U. S. 447, and other cases hereinafter cited.

The pleadings present nothing more than abstract questions, the answers to which, at least in this suit, are not determinative of the respective rights and liabilities of the immediate parties. The exercise of the judicial power does not extend to the determination of such questions. Liverpool, &c. Steamship Co. v. Commissioner of Emigration, 113 U. S. 33; Chicago &c. Railway Co. v. Wellman, 143 U. S. 339; California v. San Pablo, &c. Railroad Co., 149 U. S. 308; Muskrat v. United States, 219 U. S. 346; Keller v. Potomac Electric Power Co., 261 U. S. 428; Liberty Warehouse Co. v. Grannis, 273 U. S. 70. The interest of the plaintiff in the only subject of the purported controversy, the constitutionality of the Statute and the validity of the Orders, will not sustain this suit or support the jurisdiction of the Court in the absence of a real adverse interest therein maintained by the defendant *Ibid*.

It is well settled that the judicial power, the power to adjudicate legal rights and pronounce judgment, vested in the courts by the Constitution, is limited to the determination of actual controversies between adverse litigants. The requirements of a justiciable controversy are clearly defined by the Supreme Court in Aetna Life Ins. Co. v. Haworth, 300 U. S. 216, 240, 241, in which it was stated:

[fol. 63] "The controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests. South Spring Gold Co. v. Amador Gold Co., 145 U. S. 300, 301; Fairchild v. Hughes, 258 U. S. 126, 129; Massachusetts v. Mellon, 262 U. S. 447, 487, 488. It must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts. See Muskrat v. United States, *supra*; Texas v. Interstate Commerce Comm'n., 258 U. S. 158, 162; New Jersey v. Sargent, 269 U. S. 328, 339, 340; Liberty Warehouse Co. v. Grannis, 273 U. S. 70; New York v. Illinois, 274 U. S. 488, 490; Willing v. Chicago Auditorium Assn., 277 U. S. 274, 289, 290; Arizona v. California, 283 U. S. 423, 463, 464; Alabama v. Arizona, 291 U. S. 286, 291; United States v. West Virginia, 295 U. S. 463, 474, 475; Ashwander v. Tennessee Valley

Authority, 297 U. S. 288, 324. Where there is such a concrete case *admitting of an immediate and definitive determination of the legal rights* of the parties in an *adversary proceeding* upon the facts alleged, the judicial function may be appropriately exercised although the adjudication of the rights of the litigants may not require the award of process or the payment of damages. *Nashville, C. & St. L. Ry. Co. v. Wallace*, supra, [fol. 64] p. 263; *Tutun v. United States*, 270 U. S. 568, 576, 577; *Fidelity National Bank v. Swope*, 274 U. S. 123, 132; *Old Colony Trust Co. v. Commissioner*, supra, p. 725." (Emphasis by the Court).

That case and the cases herein cited emphasize the prerequisite of "adverse legal interests" in the subject matter of the controversy, the subject of judicial inquiry.

There is no power in the courts to declare an act of Congress unconstitutional except in an actual controversy in which such a declaration is indispensable to the determination of the respective rights and liabilities of adverse litigants and the pronouncement of judgment. *Liverpool, & Steamship Co. v. Commissioners of Emigration*; *Chicago, & N. W. Ry. Co. v. Wellman*; *California v. San Pablo, & N. P. Ry. Co.*; *Muskat v. United States*; *Liberty Warehouse Co. v. Grannis*; *Massachusetts v. Mellon*, all supra; *United States v. Johnson*, 319 U. S. 302; *Willing v. Chicago Auditorium Assn.*, 277 U. S. 274. The rights of the one litigant and the liabilities of the other must be so dependent upon or affected by the challenged statute as to render an adjudication on its constitutionality necessary to the ultimate decision and final judgment. *Ibid.* The present action fails to meet these requirements.

When the nature of the present suit, the relations of the immediate parties, and the relief sought, are considered, it appears that the United States is a necessary party whose presence is indispensable to the final adjudication of the only issues here raised, the constitutionality of the Act and the validity of the Orders. *Texas v. Interstate Commerce Comm'n.*, supra; *Gregory v. Stetson*, 133 U. S. 579; *Minnesota v. Northern Securities Co.*, 184 U. S. 199, 235; *Grierich* [fol. 65] v. *Rutter*, 265 U. S. 388; *Commonwealth Trust Co. v. Smith*, 266 U. S. 152; *Garretson v. National Surety Co.*, 63 F. 2d 847; *Chicago, M., St. P. & P. R. Co. v. Adams County*, 72 F. 2d 816; *State of Washington v. United States*,

87 F. 2d 421; *Angell v. Schram*, 109 F. 2d 380; *Baird v. Peoples Bank & Trust Co.*, 120 F. 2d 1001. Under Section 4 of the Statute, 35 U. S. C. A. 92, the reduction of royalties effected by the Orders inures only "to the benefit of the Government by way of a corresponding reduction in the contract price to be paid directly or indirectly for (the) manufacture, use, sale, or other disposition of (the) invention." There is no consequent advantage thereunder, either direct or indirect, accruing to the defendant. It necessarily follows that under these circumstances an injunction in conformity with the prayers for relief, restraining the defendant's compliance with the Orders, would affect the rights of the United States and leave the only conflicting interest, those of the plaintiff and the United States, in a state of uncertainty. This absence of an indispensable party defeats the equity jurisdiction of this Court. *Ibid.*

Even if the complaint could be regarded as presenting a "case" or "controversy" within the meaning of Article 3, Section 2 of the Constitution, it must be dismissed for want of equity. The bare allegations that the Act is unconstitutional and the Orders promulgated thereunder are invalid will not sustain the authority of the Court to grant injunctive relief. It is well established that sufficient allegations of "further circumstances" which bring the suit within "some recognized head of equity jurisdiction" is a prerequisite to the exercise of this extraordinary power. *Cruickshank v. Bidwell*, 176 U. S. 73; *Boise Artesian Water [fol. 66] Co. v. Boise City*, 213 U. S. 276; *Southern Railway Co. v. King*, 217 U. S. 524; *Heald v. District of Columbia*, 259 U. S. 114; *Terrace v. Thompson*, 263 U. S. 197; *Northport Power & Light Co. v. Hartley*, 283 U. S. 568; *Matthews v. Rodgers*, 284 U. S. 521; *Champlin Refining Co. v. Corporation Commission*, 286 U. S. 210; *Anniston Mfg. Co. v. Davis*, 301 U. S. 337; *Yarnell v. Hillsborough Packing Co.*, 70 F. 2d 435; *Richmond Hosiery Mills v. Camp*, 74 F. 2d 200, and other cases herein cited. The allegations of the complaint are patently deficient in this respect and the reasons for this deficiency are evident.

The present suit has for its ultimate object the protection of the plaintiff's contractual right to the royalties fixed by the license agreement and due and to become due thereunder. This right, a mere chose in action, is cognizable and enforceable in an action at law. If the Act is constitutional and the Orders issued thereunder valid, the plaintiff may

maintain an action against the United States under Section 2 of the Statute, 35 U. S. C. A. 90, "to recover such sum, if any, as, when added to the royalties fixed and specified in (the Orders), shall constitute fair and just compensation . . . for the manufacture, use, sale or other disposition of the licensed invention for the United States." If the converse is true, the plaintiff may, notwithstanding the statutory prohibition,⁴ recover the royalties fixed by the license agreement in an action at law against the parties liable for their payment; the provisions of the Act, if unconstitutional, could not be successfully interposed as a defense to such an action.

[fol. 67] Cruickshank v. Bidwell, 176 U. S. 73, 81.

It seems obvious that this action fails to meet the recognized test of equity jurisdiction, to wit, the lack of a plain, adequate, and complete remedy at law. The complaint is devoid of any allegations from which it may be inferred that the available legal remedies are inadequate and is equally devoid of any allegations from which it may be inferred that the plaintiff, if left to his legal remedies, would be exposed to imminent danger of irreparable injury. These prerequisites are indispensable to the exercise of equity jurisdiction. *Cruickshank v. Bidwell*; *Boise, Artesian Water Co. v. Boise City*; *Heald v. District of Columbia*; *Massachusetts v. Mellon*; *Terrace v. Thompson*; *Northport Power & Light Co. v. Hartley*; *Matthews v. Rodgers*; *Champlin Refining Co. v. Corporation Commission*; *Annis-ton Mfg. Co. v. Davis*, all *supra*; *Cavanaugh v. Looney*, 248 U. S. 453; *United Gas Co. v. Railroad Commission*, 278 U. S. 300; *State Commission v. Wichita Gas Co.*, 290 U. S. 561.

The complaint is dismissed for the reasons herein stated and the temporary injunction heretofore granted is vacated.

⁴ Royalty Adjustment Act, § 1, 56 Stat. 1013, 35 U. S. C. A. 89.

[fols. 68-71] IN DISTRICT COURT OF THE UNITED STATES FOR
THE DISTRICT OF NEW JERSEY

Civil Action No. 3289

ROSCOE A. COFFMAN, Plaintiff,

VS.

FEDERAL LABORATORIES, INC., a Corporation of the State of
Delaware, and Breeze Corporations, Inc., a Corporation
of the State of New Jersey, Defendants

UNITED STATES OF AMERICA, Intervenor

JUDGMENT

This cause having been argued before a Special Court on
March 4, 1944, and the United States of America having
intervened and filed a motion to dismiss the complaint, and
the argument of the attorneys for the plaintiff and Lester
P. Schoene, Special Assistant to the Attorney General,
having been heard and their briefs considered, and the
Court having filed its opinion, it is, on this 6th day of
April, 1944,

Ordered that the plaintiff's complaint be and the same is
hereby dismissed.

By the Court:

Guy L. Fake, District Judge.

[fol. 72] IN DISTRICT COURT OF THE UNITED STATES FOR THE
DISTRICT OF NEW JERSEY

[Title omitted]

ORDER ALLOWING APPEAL WITH STAY

Plaintiff Roscoe A. Coffman having filed his petition for
an appeal to the Supreme Court of the United States pur-
suant to the provisions of the Act of August 24, 1937, and
having filed his bond with sufficient surety in the sum of
\$250.00, approved as to form and sufficiency, and having
also filed his assignment of errors and statement as to
jurisdiction and petition alleging that unless restrained
by this Court defendant Breeze Corporations, Inc. may pay

to the Treasurer of the United States large sums of money pursuant to the Royalty Adjustment Orders which the plaintiff attacks as illegal and null and void, it is, on this 6th day of April, 1944,

Ordered as follows:

(1) Plaintiff's appeal be and the same is hereby allowed to the Supreme Court of the United States from the Judgment of this Court.

(2) Until the further order of this Court, or of the Supreme Court of the United States, the defendants Breeze [fol. 73] Corporations, Inc. and Federal Laboratories, Inc. are hereby enjoined and restrained from paying any moneys due and owing to the plaintiff, Roscoe A. Coffman, to the Treasurer of the United States pursuant to the provisions of Royalty Adjustment Orders Nos. W-9 and N-7.

By the Court:

Guy L. Fake, District Judge.

[fol. 74] SUPREME COURT OF THE UNITED STATES

[Title omitted]

ASSIGNMENT OF ERRORS

Now comes the above named appellant, Roscoe A. Coffman, by James D. Carpenter, Jr., his attorney, and says that in the record and proceedings in the above entitled matter there is manifest error in this, to wit:

I

The District Court of the United States for the District of New Jersey erred in entering judgment dismissing plaintiff's complaint,

II

The District Court erred in holding that there was no case or controversy between the parties hereto within the meaning of Article III, Sec. 2 of the Constitution of the United States.

III

The District Court erred in holding that the pleadings present nothing more than abstract questions and that the

judicial power does not extend to the determination of the questions raised by the complaint in this cause.

IV

The District Court erred in not holding that there was a [fol. 75] real and substantial controversy presented by plaintiff's complaint, the allegations of which were admitted by the motion to dismiss, admitting of specific relief to the protection of plaintiff's rights to his royalties which were in the hands of the defendant Breeze Corporations, Inc., and preventing them being paid over to the Treasurer of the United States pursuant to the commands of Royalty Adjustment Orders Nos. W-9 and N-7.

V

The District Court erred in not holding that the complaint in this cause presented a concrete case admitting of an immediate and definitive determination of the legal rights of the plaintiff to have and receive from the defendant Breeze Corporations, Inc. royalties due him under his contract of December 8, 1932, unaffected by the provisions of Royalty Adjustment Orders Nos. W-9 and N-7 annexed to the complaint, allegedly made pursuant to the Royalty Adjustment Act of 1942.

VI

The District Court erred in not holding that there was a justiciable controversy between the plaintiff and defendant Breeze Corporations, Inc., involving the right of the plaintiff to prevent defendant Breeze Corporations, Inc. from paying to the Treasurer of the United States, as required by Royalty Adjustment Orders Nos. W-9 and N-7, all royalties due plaintiff in excess of \$50,000.00 for the year 1943.

VII

The District Court erred in not holding as a matter of law that the legal rights of the plaintiff to have and receive from defendant Breeze Corporations, Inc. royalties in the [fols. 76-113] amounts fixed in his contract of December 8, 1932, and at the times stated therein, were prejudiced and impaired by Royalty Adjustment Orders Nos. W-9 and N-7 made in pretended compliance with the Royalty Adjustment Act of 1942, and that consequently plaintiff was entitled

to an injunction restraining defendant Breeze Corporations, Inc. from complying with the provisions of said Royalty Adjustment Orders and each of them, and especially from paying to the United States as commanded by said Orders, all royalties due plaintiff in excess of \$50,000.00 per annum.

Wherefore the plaintiff Roscoe A. Coffman prays that the judgment of the said District Court of the United States for District of New Jersey appealed from herein be reversed.

James D. Carpenter, Jr., Attorney for Appellant.
Office & P. O. Address: #75 Montgomery Street,
Jersey City 2, N. J.

[fol. 114] SUPREME COURT OF THE UNITED STATES

STATEMENT OF POINTS ON WHICH APPELLANT INTENDS TO
RELY AND DESIGNATION OF THE PARTS OF THE RECORD HE
THINKS NECESSARY FOR THE CONSIDERATION THEREOF—
Filed April 28, 1944.

Plaintiff-appellant Roscoe A. Coffman intends to rely
on the following points on the appeal in this cause:

I

The District Court erred in dismissing plaintiff's complaint as it had undoubted jurisdiction to restrain defendant Breeze Corporations, Inc. from complying with the terms of Royalty Adjustment Orders Nos. W-9 and N-7, and paying all royalties due and to grow due plaintiff in excess of \$50,000 per annum to the Treasurer of the United States.

II

The Royalty Adjustment Act, Public Law 768, 77th Congress, (56 Stat. 1015) and Royalty Adjustment Orders made in compliance therewith, Nos. W-9 and N-7, violate the Fifth Amendment in that they take plaintiff's property for public use without just compensation.

III

Said Royalty Adjustment Act and the Royalty Adjustment Orders made in compliance therewith are void in

that they take plaintiff's property without due process of [fol. 115] law in violation of the Fifth Amendment.

IV

The Royalty Adjustment Act of 1942 is void as in conflict with Article I and Section 8 of the Federal Constitution, having no standards for the guidance of administrative agencies.

V

The Royalty Adjustment Act of 1942 aforesaid is not an act providing for the valid exercise of the power of eminent domain, no public necessity for the taking of royalties being shown, or required.

VI

The Royalty Adjustment Act of 1942 is void in that it does not provide for just compensation to a licensor for the taking of royalties reserved by license agreements made long before the declaration of war.

(a) The taking of royalties that have accrued prior to the institution of any proceedings; and all royalties accrued prior to the issuance of Royalty Adjustment Orders ten months after the preliminary notice is nothing less than confiscation.

(b) The sole right given an inventor in Section 11 of the Royalty Adjustment Act to sue the United States in the Court of Claims for just compensation, in which "suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement," is not a fair substitute for specific royalties payable quarter-annually reserved in a license agreement wherein the validity of the patents is conceded.

[fol. 116] Appellant hereby designates the following parts of the record which he thinks necessary for the consideration of this appeal:

1. Plaintiff's Complaint in the District Court with all exhibits attached.
2. Order dated January 7, 1944.

3. Order dated January 26, 1944 continuing stay.
4. Stipulation filed with District Court and notices to plaintiff from the War Department and Navy Department under Royalty Adjustment Act.
5. Intervention by the United States.
6. Notice of Motion by United States to dismiss Complaint.
7. Opinion of Special Court.
8. Judgment dismissing plaintiff's Complaint.
9. Order allowing appeal with stay.
10. Assignments of Error.
11. Statement of Jurisdiction.
12. Addendum to Statement of Jurisdiction.
13. Statement of Points.

Respectfully submitted, James D. Carpenter, Jr.,
Of Counsel with Plaintiff-Appellant, 75 Montgomery Street, Jersey City 2, N. J.

[fol. 116a] [File endorsement omitted]

[fol. 117] IN THE SUPREME COURT OF THE UNITED STATES

STIPULATION AS TO PRINTED RECORD—Filed May 22, 1944

The parties to this cause, through their respective attorneys, hereby stipulate that the printed record in the above-entitled case shall contain, in addition to those materials already filed with the Clerk of this Court, the "Answer of Defendant Breeze Corporations, Inc. To Plaintiff's Complaint" filed in the court below, a true copy of which is attached hereto.

James D. Carpenter, Jr., Attorney for Plaintiff-Appellant. Charles Fahy, Solicitor General, Attorney for Intervenor.

May 1944.

[fol. 117a] [File endorsement omitted]

[fol. 118] SUPREME COURT OF THE UNITED STATES.

ORDER POSTPONING FURTHER CONSIDERATION OF THE QUESTION
OF JURISDICTION—May 22, 1944

The statement of jurisdiction in this case having been submitted and considered by the Court, further consideration of the question of the jurisdiction of this Court is postponed to the hearing of the case on the merits.

Endorsed on cover: File No. 48,432, D. C. U. S., New Jersey, Term No. 71. Roscoe A. Coffman, Appellant, vs. Breeze Corporations, Inc., and The United States of America. Filed April 28, 1944. Term No. 71 O. T. 1944.

FILE 100-100000
Office
APR 28 1944
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1943

No. 71

ROSCOE A. COFFMAN,

Appellant,

vs.

BREEZE CORPORATIONS, INC., AND THE UNITED
STATES OF AMERICA.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR
THE DISTRICT OF NEW JERSEY.

STATEMENT AS TO JURISDICTION.

JAMES D. CARPENTER,
Counsel for Appellant.

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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1943

No. 939

ROSCOE A. COFFMAN,

Plaintiff-Appellant,

vs.

BREEZE CORPORATIONS, INC., A CORPORATION OF THE
STATE OF NEW JERSEY,

Defendant-Appellee.

UNITED STATES OF AMERICA,

Intervenor.

STATEMENT OF JURISDICTION

The basis upon which it is contended that the Supreme Court of the United States has jurisdiction upon appeal to review the judgment entered in the District Court of the United States for the District of New Jersey on April 6, 1944, is as follows:

I.

The statute believed to sustain the jurisdiction of this Court is the Act of Congress of April 24, 1937, U. S. C. Tit. 28, Sec. 380(a).

II.

The statute of the United States the validity of which is involved, is the Royalty Adjustment Act of 1942, 56 Stat. 1015, U. S. C. Tit. 35, Secs. 89, 96, approved October 31, 1942.

The pertinent provisions of this statute are as follows:

The title is: "An Act to provide for adjusting royalties for the use of inventions for the benefit of the United States, in aid of the prosecution of the War, and for other purposes."

Section 1 of the Act provides that whenever an invention, whether patented or unpatented, shall be manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof, and such license includes provisions for the payment of royalties "the rates or amounts of which are believed to be unreasonable or excessive by the head of the department or agency of the Government which has ordered such manufacture, use, sale or other disposition, the head of the department or agency of the Government concerned shall give written notice of such fact to the licensor and to the licensee, within a reasonable time after the effective date of said notice, in any event less than ten days. The head of the department or agency of the Government concerned, shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine to be fair and just, taking into account the conditions of wartime production, and shall authorize the payment thereof by the licensee to the licensor on account of such manufacture" etc. Provided, however that the licensee or licensor, if he so requests within ten days after the effective date of said notice, may within thirty days from the date of such request, present in writing or in person any facts or circumstances which may in his opinion have a bearing upon the rates or amounts of royalties if any.

to be determined, fixed and specified, "and any order fixing and specifying the rates and amounts of royalties shall be issued within a reasonable time after such presentation. Such licensee shall not after the effective date of said notice pay to the licensor, nor charge directly or indirectly to the United States, a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition. The licensor shall not have any remedy by way of suit, set-off or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such licensor's sole and exclusive remedy, except as to the recovery of royalties fixed in said order, shall be as provided in Section 2." Section 2 provides that any licensor aggrieved by any order fixing and specifying the maximum rates or amounts of royalties under a license issued by him may institute suit against the United States in the Court of Claims, or in the District Courts of the United States insofar as such Courts may have concurrent jurisdiction with the Court of Claims to recover such sum, if any, as when added to the royalties fixed and specified in such order shall constitute fair and just compensation to the licensor for the manufacture, use, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in Title 60 of the Revised Statutes, or otherwise.

Section 3 gives the head of any department or agency of the Government power to enter into an agreement of compromise with the licensor of such invention for past or future compensation to the owner or licensor.

Section 4 provides that whenever a reduction in the rates or amounts of royalties is affected by order pursuant to Section 1, or by compromise pursuant to Section 3, such reduction shall inure to the benefit of the Government by way of a corresponding reduction in the contract price to be paid for such manufacture of such invention or by way of refund if already paid the licensee.

Section 5 provides that the head of the department or agency may delegate any power or authority conferred by this Act to such persons as he may designate or appoint.

Section 6 provides that for the purposes of this Act the manufacture, use, or sale of an invention, whether patented or unpatented, by a contractor, sub-contractor, or any person; firm or corporation for the Government, and with the authorization of the Government, shall be construed as manufacture, use or sale for the United States, and for the purposes of the Act of June 25, 1910, as amended (40 Stat. 705, 35 U. S. C. 68), the use or manufacture of an invention covered by a patent by a contractor, sub-contractor, or any person for the Government, and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States:

Section 7. This Act shall apply to all royalties directly or indirectly chargeable to the United States for any supplies, equipment or materials. Sections 1 and 2 shall remain in force only during the continuance of the present War and for six months thereafter, "except that as to rates accrued or liabilities incurred prior to the termination thereof, the provisions of this act shall be treated as remaining in force and effect for the purpose of settling, sustaining, qualifying, or defeating any suit or claim hereunder."

Section 8. The head of each department or agency of the Government may issue such rules and regulations and re-

quire such information as may be necessary and proper to carry out the provisions of this Act.

III.

The judgment sought to be reviewed was entered April 6, 1944, and the application for appeal was presented immediately thereafter, to wit: April 6, 1944.

IV.

Nature of the Case.

(a) The plaintiff Coffman is the sole owner of Letters Patent relative to improvements in starting motors, and shells for use therewith. The starters are necessary and are used on a very large percentage of aircraft being used by the United States and its Allies. The starters are set in motion by the explosion of cartridges, or shells, likewise covered by plaintiff's patents, the motor being started not by an explosion resulting from the discharge of said cartridges or shells but by the control of the gases generated from the burning of the charge contained in the shells controlled in the manner and method described in the patents.

(b) On December 8, 1932, plaintiff executed and delivered an exclusive license agreement to Federal Laboratories, Inc. "and alternately to its successor in business" to make, use and sell the starters and shells embodying plaintiff's inventions, the licensee agreeing to pay plaintiff a license fee or royalty of 6% of the net selling price of the starters, parts and shells.

(c) Prior to July, 1937, defendant Breeze Corporations, Inc. bought control of the licensee, Federal Laboratories, Inc., and subsequently became the owner of all its issued

and outstanding capital stock. In February, 1937 Breeze Corporations, Inc. took over the manufacture of the Coffman Starter, and ever since has been operating as the sole manufacturer of Coffman Starters under the license agreement of December 8, 1932. The complaint charges, and the motion to dismiss accordingly admits that defendant Breeze Corporations, Inc. owes plaintiff for royalties on Coffman Starters for the calendar year 1943, \$210,000.00. Defendant Federal Laboratories, Inc., owes plaintiff for the year 1943 royalties on cartridges or shells amounting to \$48,000.00 (Complaint, par. 9).

(d) In February, 1941, plaintiff filed Civil Action No. 1395 in the District Court of the United States for the District of New Jersey for an accounting against Federal Laboratories, Inc. and Breeze Corporations, Inc. of royalties due plaintiff under his agreement of December 8, 1932, and also for an account of other moneys due plaintiff and alleged to have been withheld from him through fraudulent concealment of the consideration received by the licensee and Breeze Corporations, Inc. on the sale of manufacturing rights under the Coffman Patents to an English Company. The accounting action in the District Court for the District of New Jersey is pending and has not been reached for trial (Complaint, par. 6).

(e) On February 24, 1943, notice was given plaintiff by the Navy Department, and on March 3, 1943, by the War Department, that the royalties reserved to him under his agreement of December 8, 1932, were believed to be unreasonable and excessive.

(f) On December 18, 1943, the War Department issued its Royalty Adjustment Order No. W-9, and on December 23, 1943, the Navy Department issued its Royalty Adjustment Order No. N-7, copies of which are annexed to the

complaint, which allegedly, under the terms of the Royalty Adjustment Act aforesaid, determined that:

"(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows:

(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight (\$8) Dollars each, and

(b) Upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties;

but not to exceed the sum of Fifty Thousand (\$50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943, in respect of starters sold to or for the War Department and the Navy Department, added together.

(2) Until further Order, Licensee is hereby authorized to pay to Licensor, . . . not to exceed the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above mentioned license agreement dated December 8, 1932, . . .

(3) Licensee is hereby directed to pay over to the Treasurer of the United States, through Commanding General, Army Air Forces Material Command, attention, Royalty Adjustment Board, Wright Field, Dayton, Ohio, the balance, in excess of the payments authorized by paragraph (2) hereof, of all royalties specified in the licenses or arrangements referred to in paragraph (2) hereof which were due to Licensor and were unpaid on the effective date of said notice, or since said date have or may hereafter become due to Licensor on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department heretofore oc-

curred or hereafter occurring while Sections 1 and 2 of said Act remain in force; and demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor."

(g) On January 7, 1944, plaintiff filed his verified Complaint in the District Court of the United States for the District of New Jersey, to which were annexed as exhibits copies of his Royalty Agreement of December 8, 1932, copies of the pleadings in his action for an accounting in the District Court of the United States for the District of New Jersey, and copies of the two Royalty Adjustment Orders. He alleged in the complaint that there was due him under his license agreement of December 8, 1932, royalties for the entire year 1943 approximating \$260,000.00, of which defendant Breeze Corporations, Inc. owes the plaintiff \$210,000.00 and defendant Federal Laboratories, Inc. owes the plaintiff approximately \$48,000.00 (Par. 9). Plaintiff alleged that neither Federal Laboratories, Inc. nor defendant Breeze Corporations, Inc. have made payment to plaintiff of the \$50,000.00 mentioned in Royalty Adjustment Orders Nos. W-9 and N-7, nor have either of said defendants made payment of any part of the balance due plaintiff to the Treasurer of the United States or anyone else, pursuant to paragraph (3) of the Royalty Adjustment Orders. The complaint charges that a meeting of the officers of the two defendant corporations with their counsel was called to be held on the afternoon of the day the complaint was filed, January 7, 1944, to consider whether payment under paragraph (3) of said Royalty Adjustment Orders should be made to the Treasurer of the United States.

(h) Plaintiff alleged that the Act of Congress known as the Royalty Adjustment Act, P. L. 768 (77th Congress, Chapter 634—Second Session) is null and void, and that the said Royalty Adjustment Orders made in pretended

compliance with said statute are likewise null and void, for the following reasons:

(1) As taking plaintiff's property for public use without just compensation and depriving plaintiff of his property without due process of law in violation of the Fifth Amendment;

(2) That said Act of Congress and said Royalty Adjustment Orders operate to take plaintiff's property in his patents and in his license agreement for public use without just compensation;

(3) That said Act of Congress attempts to deprive plaintiff of all remedy by suit or otherwise against his licensees for payment of the royalties reserved in his license agreement, wherein the validity of plaintiff's patents is conceded, and relegates plaintiff to an action against the United States in the Court of Claims to recover such sum, if any, as when added to the royalties fixed and specified in said Orders, "shall constitute fair and just compensation to the licensor" for the use of the invention, "and in which such suit the United States may avail itself of any and all defenses, general and special, that might be pleaded by a defendant in an action for infringement", and which defenses would not be open or available to the licensees;

(4) That the statute and Orders deprive plaintiff of his limited patent monopoly without just compensation, within the meaning of the Fifth Amendment;

(5) That the right of action attempted to be accorded plaintiff by a suit in the Court of Claims does not and cannot give plaintiff just compensation for his rights in said patents and his rights in his royalty agreement;

(6) That said Act of Congress and said Orders operate to deprive plaintiff of royalties earned under said license

agreement to December 18, 1943, in excess of \$250,000.00, for an award of \$50,000.00 royalties;

(7) Said statute and orders are invalid in that they deprive plaintiff of all royalties reserved under said license agreement for parts manufactured and sold under said patents, and for shells and cartridges covered by plaintiff's patents and manufactured and sold by defendants;

(8) Said statute and orders operate to deny plaintiff his rights to an accounting in the action pending in the District Court for the District of New Jersey, and the rights to recover therein for any and all royalties due plaintiff for 1943 and thereafter;

(9) Said Act of Congress violates Article I, Section 1 and Section 8 of the Constitution, in that it is an unconstitutional delegation of legislative power setting up no standards for the guidance of agencies of the Government, and drawing no distinction between the manufacture of articles, whether patented or unpatented, and whether they are manufactured under a valid license or manufactured under a patent where no license has been granted.

(i) Plaintiff prayed:

(1) That an injunction issue enjoining and restraining Federal Laboratories, Inc. and Breeze Corporations, Inc. from complying with the Royalty Adjustment Orders aforesaid "and in particular from paying any of the royalties due plaintiff under said license agreement to the Treasurer of the United States pursuant to the command of the Royalty Adjustment Orders."

(2) For an order enjoining and restraining Federal Laboratories, Inc. and Breeze Corporations, Inc. from pay-

ing to the Treasurer of the United States any royalties that might hereafter become due the plaintiff as licensor, pursuant to the command of paragraph (3) of said Orders.

(3) That the Act of Congress aforesaid and the Royalty Adjustment Orders may be adjudged null and void for the reasons charged.

(4) That a temporary injunction issue forthwith enjoining and restraining the defendant Breeze Corporations, Inc. and Federal Laboratories, Inc., and their agents, from paying any moneys to the Treasurer of the United States, pursuant to the Royalty Adjustment Orders aforesaid, until a court could be summoned to determine whether plaintiff was entitled to a permanent injunction for the reasons aforesaid. Plaintiff alleges that irreparable harm and damage will be occasioned to him unless a temporary restraint is granted.

(j). Upon the filing of plaintiff's verified complaint with exhibits attached, District Judge Smith issued a temporary injunction, and in compliance with the Act of Congress of August 24, 1937, U. S. C. Tit. 28, Section 380(a), a special court was summoned and notice was duly given the Attorney General. The temporary injunction was served before any of plaintiff's royalties were paid to the Treasurer of the United States.

(k) The cause came on for hearing before the Special Court on January 15, 1944; the United States moved to intervene and become a party to the cause, and at the request of the United States Attorney, no objection being made, the matter was continued until March 4, 1944, the temporary stay being continued in the meantime. On February 5, 1944, the United States of America as intervenor moved the court to dismiss the complaint on the

ground that the court lacked jurisdiction over the subject matter of the action.

(l) The cause was argued before the Special Court on March 4, 1944, and after the Court had taken under consideration the motion to dismiss, hearing proceeded upon the merits. A stipulation of facts between plaintiff and defendant Breeze Corporations, Inc., wherein certain essential facts were admitted solely for the purpose of the action, and to be introduced only if the motion to dismiss was denied, was presented to the Court and the case was thereupon argued on the merits.

(m) On March 31, 1944, the Court filed its opinion, a copy of which is annexed, granting the motion to dismiss made by the Assistant Attorney General, in which it said:

"The Court having reserved decision on the motion proceeded to hear argument on the merits, but our decision on the motion makes consideration of the merits unnecessary."

V.

The cases believed to sustain the jurisdiction of the Court are:

Aetna Life Insurance Co. v. Haworth, 300 U. S. 239, 240;

City Bank v. Schnader, 291 U. S. 24;

Vicksburg Waterworks Co. v. Vicksburg, 185 U. S. 65.

Carter v. Carter Coal Co., 298 U. S. 238, wherein the Court quoting from the decision in *Pennsylvania v. West Virginia*, 256 U. S. 553, said:

"One does not have to await the consummation of threatened injury to obtain preventive relief. If the injury is certainly impending that is enough."

Pierce v. Society of Sisters, 268 U. S. 510, 535, 536;

Euclid v. Ambler Realty Co., 272 U. S. 365;

Swift v. United States, 276 U. S. 311, 326;
Marconi Wireless Tel. Co. v. Simon, 246 U. S. 46;
*Cramp & Sons v. International Curtis Marine
Turbine Co.*, 246 U. S. 28.

JAMES D. CARPENTER, JR.,
Of Counsel,
with Plaintiff-Appellant;
Office & P. O. Address:
No. 75 Montgomery Street,
Jersey City 2, N. J.

EXHIBIT A.**UNITED STATES DISTRICT COURT, DISTRICT OF
NEW JERSEY.**

Civil No. 3289

ROSCOE A. COFFMAN, Plaintiff,

vs.

**FEDERAL LABORATORIES, INC., a Corporation of the State of
Delaware, and BREEZE CORPORATIONS, INC., a Corporation
of the State of New Jersey, Defendants; UNITED STATES
OF AMERICA, Intervenor.**

OPINION.

Before McLaughlin, Circuit Judge and Fake and Smith,
District Judges, designated pursuant to the Act of August
24, 1937, c. 754, s. 3, 50 Stat. 752, 28 U. S. C. A. 380a.

SMITH, District Judge:

This is a civil action brought by the plaintiff Roscoe A. Coffman against the defendants Federal Laboratories, Inc., and Breeze Corporations, Inc., to enjoin the said defendants' alleged threatened compliance with two Royalty Adjustment Orders, the one (No. W-9) issued by the War Department, and the other (No. N-7) issued by the Navy Department, pursuant to and in accordance with the provisions of the Royalty Adjustment Act, 56 Stat. 1013-1015, 35 U. S. C. A. 89-96. The defendant Federal Laboratories, Inc., although joined as a party, was not served with process and did not enter an appearance.

This suit, as it now stands, has for its ~~only~~ object injunctive relief against the defendant Breeze Corporations, and presents an anomalous situation. The plaintiff, without invoking the judgment of the Court on any other issues, challenges the constitutionality of the Royalty Adjustment Act and the validity of the Royalty Adjustment Orders issued thereunder, and prays injunctive relief. The defendant, although entering an appearance, neither denies the

allegations that the Act is unconstitutional and the Orders are invalid nor resists the application for an injunction, but assumes a neutral position. The reason for this neutrality becomes apparent upon a reading of the facts hereinafter summarized. The only opposition is that offered by the United States, the intervenor.

The United States, having been permitted to intervene,¹ moved to dismiss the complaint on the grounds: first, that the Court lacked jurisdiction because of the failure of the complaint to state a justiciable controversy, and second, that the Court lacked jurisdiction to grant injunctive relief because of the want of equity. The Court, having reserved decision on the motion, proceeded to hear argument on the merits, but our decision on the motion makes consideration of the merits unnecessary.

A brief summary of the events which led to the present action will be conducive to a clear understanding; not only of the questions raised by the motion, but also of the reasons advanced by the Court in support of its decision.

The plaintiff, the sole owner of a series of patents covering inventions therein defined, under an agreement dated December 8, 1932, granted to the Federal Laboratories an exclusive license to manufacture, use, and sell the inventions. The said agreement fixed the "license fee or royalty" in an amount "equal to six percent (6%) of the * * * net selling price on all devices and parts thereof sold." The Federal Laboratories, under agreements dated April 28, 1937 and April 28, 1939, employed and engaged the defendant Breeze Corporations, as the "exclusive sales agent and distributor," to manufacture and sell the inventions.

On February 18, 1941 the plaintiff instituted an action in this court (Civil Action No. 1395) against Federal Laboratories and Breeze Corporations² in which he demanded, in addition to other relief, an accounting for royalties allegedly due and owing under the said license agreement and wrong-

¹ Act of August 24, 1937, c. 754, s. 1, 50 Stat. 751, 28 U. S. C. A. 401.

² Between July of 1937 and October of 1942, while the contracts were in force and effect, the defendant Breeze Corporations acquired all of the common stock and most of the preferred stock of the Federal Laboratories, and this stock it still owns.

fully withheld. The other issues raised in that action are not pertinent here and need not be discussed. The defendant Breeze Corporations, answering the complaint, denied any liability for royalties allegedly due and owing under the license agreement; Federal Laboratories, not having been served with process, did not answer. That action, hereinafter referred to as the law action, is still pending and awaiting trial.

While the law action was pending, the representatives of the War Department, pursuant to the provisions of the Royalty Adjustment Act, and particularly Section 1 thereof, 35 U. S. C. A. 89, having determined that the fees and royalties payable to the plaintiff under the said license agreement on patented devices manufactured for and charged or chargeable to the said Department, either directly or indirectly, were unreasonable and excessive, adjusted the basis of compensation and fixed both the "rates and the amount" of royalties in amounts determined by them to be "fair and just." The terms and conditions of the adjustment were embodied in Royalty Adjustment Order No. W-9, the pertinent provisions of which are recited in the footnote.³ The representatives of the Navy Depart-

³ "(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows:

(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight (\$8) Dollars each, and

(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties;

but not to exceed the sum of Fifty Thousand (\$50,000) Dollars, to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the War Department and the Navy Department, added together.

(2) Until further Order, Licensee is hereby authorized to pay to Licensor, on account of any manufacture, use, sale or other disposition of said alleged inventions for the War Department heretofore occurred, or hereafter occurring while Sections 1 and 2 of said Act remain in force, royalties at the rate and not to exceed the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above-mentioned license agreement dated December 8, 1932, and

(b)

ment, following a like procedure, issued Royalty Adjustment Order No. N-7, in which identical terms and conditions were incorporated.

The Orders, in addition to modifying the basis of compensation, fixed the maximum sum payable to the plaintiff in each calendar year at fifty thousand dollars, and directed that "the balance, in excess of the payments authorized * * * of all royalties specified in the licenses * * * which were due to Licensor (plaintiff), and were unpaid on the effective date * * *, or since said date have or may hereafter become due to Licensor, on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department * * *", be paid to the Treasurer of the United States.

In December 1943, certified copies of these orders were served on all of the interested parties, to wit, Roseco A. Coffman, Federal Laboratories, and Breeze Corporations. The present action followed. The defendant Breeze Corporations filed an answer in which it denied liability to either the plaintiff or the Treasurer of the United States, a position consistent with its stand in the earlier law action. The said defendant, however, asserted no right or defense predicated upon either the Orders or the Act, and did not controvert the plaintiff's allegations that the former were invalid and the latter was unconstitutional.

It is reasonably apparent, upon consideration of the facts and circumstances embraced within the pleadings and herein summarized, that as between the immediate parties to this action there is no "case" or "controversy", within the meaning of Article 3, Section 2, of the Constitution. The

(3) Licensee is hereby directed to pay over to the Treasurer of the United States, * * * the balance, in excess of the payments authorized by paragraph (2) hereof, of all royalties specified in the licenses * * * referred to in paragraph (2) hereof which were due to Licensor and were unpaid on the effective date * * *, of since said date have or may hereafter become due to Licensor, on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department heretofore occurred or hereafter occurring while Sections 1 and 2 of said Act remain in force; and demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor."

complaint does not invoke the judgment of the Court on the respective rights and liabilities of the parties, but invites only an adjudication on the constitutionality of the Statute and the validity of the Orders; such an adjudication is not essential to the determination of any right or interest asserted by the plaintiff and controverted by the defendant in this action. This defendant, as hereinabove stated, asserts no right or defense predicated upon either the Act or the Orders, and offers no resistance to the application for injunctive relief. The "adverse legal interests" in the subject of inquiry requisite to a "case" or "controversy" are obviously absent. This defect is fatal to the jurisdiction of the Court. *South Spring Gold Co. v. Amador Gold Co.*, 145 U. S. 300; *Fairchild v. Hughes*, 258 U. S. 126; *Massachusetts v. Mellon*, 262 U. S. 447, and other cases hereinafter cited.

The pleadings present nothing more than abstract questions, the answers to which, at least in this suit, are not determinative of the respective rights and liabilities of the immediate parties. The exercise of the judicial power does not extend to the determination of such questions. *Liverpool, &c. Steamship Co. v. Commissioner of Emigration*, 113 U. S. 33; *Chicago &c. Railway Co. v. Wellman*, 143 U. S. 339; *California v. San Pablo, &c. Railroad Co.*, 149 U. S. 308; *Muskraat v. United States*, 219 U. S. 346; *Keller v. Potomac Electric Power Co.*, 261 U. S. 428; *Liberty Warehouse Co. v. Graninis*, 273 U. S. 70. The interest of the plaintiff in the only subject of the purported controversy, the constitutionality of the Statute and the validity of the Orders, will not sustain this suit or support the jurisdiction of the Court in the absence of a real adverse interest therein maintained by the defendant. *Ibid.*

It is well settled that the judicial power, the power to adjudicate legal rights and pronounce judgment, vested in the courts by the Constitution, is limited to the determination of actual controversies between adverse litigants. The requirements of a justiciable controversy are clearly defined by the Supreme Court in *Aetna Life Ins. Co. v. Haworth*, 300 U. S. 216, 240, 241, in which it was stated:

"The controversy must be definite and concrete, touching the legal relations of parties having adverse

legal interest. South Spring Gold Co. v. Amador Gold Co., 145 U. S. 300, 301; Fairchild v. Hughes, 258 U. S. 126, 129; Massachusetts v. Mellon, 262 U. S. 447, 487, 488. It must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts. See Muskrat v. United States, *supra*; Texas v. Interstate Commerce Comm'n, 258 U. S. 158, 162; New Jersey v. Sargent, 269 U. S. 328, 339, 340; Liberty Warehouse Co. v. Grannis, 273 U. S. 70; New York v. Illinois, 274 U. S. 488, 490; Willing v. Chicago Auditorium Assn., 277 U. S. 274, 289, 290; Arizona v. California, 283 U. S. 423, 463, 464; Alabama v. Arizona, 291 U. S. 286, 291; United States v. West Virginia, 295 U. S. 463, 474, 475; Ashwander v. Tennessee Valley Authority, 297 U. S. 288, 324. Where there is such a concrete case *admitting of an immediate and definitive determination of the legal rights of the parties in an adversary proceeding*, upon the facts alleged, the judicial function may be appropriately exercised, although the adjudication of the rights of the litigants may not require the award of process or the payment of damages. Nashville, C. & St. L. Ry. Co. v. Wallace, *supra*, p. 263; Tutun v. United States, 270 U. S. 568, 576, 577; Fidelity National Bank v. Swope, 274 U. S. 123, 132; Old Colony Trust Co. v. Commissioner, *supra*, p. 725. (Emphasis by the Court.)

That case and the cases herein cited emphasize the prerequisite of "adverse legal interests" in the subject matter of the controversy, the subject of judicial inquiry.

There is no power in the court to declare an act of Congress unconstitutional except in an actual controversy in which such a declaration is indispensable to the determination of the respective rights and liabilities of adverse litigants and the pronouncement of judgment. Liverpool, &c. Steamship Co. v. Commissioners of Emigration; Chicago, &c. Railway Co. v. Wellman; California v. San Pablo, &c. Railroad Co.; Muskrat v. United States; Liberty Warehouse Co. v. Grannis; Massachusetts v. Mellon, all *supra*;

United States v. Johnson, 319 U. S. 302; Willing v. Chicago Auditorium Assn., 277 U. S. 274. The rights of the one litigant and the liabilities of the other must be so dependent upon or affected by the challenged statute as to render an adjudication on its constitutionality necessary to the ultimate decision and final judgment. Ibid. The present action fails to meet these requirements.

When the nature of the present suit, the relations of the immediate parties, and the relief sought, are considered, it appears that the United States is a necessary party whose presence is indispensable to the final adjudication of the only issues here raised, the constitutionality of the Act and the validity of the Orders. Texas v. Interstate Commerce Comm'n., supra; Gregory v. Stetson, 133 U. S. 579; Minnesota v. Northern Securities Co., 184 U. S. 199, 235; Guerick v. Rutter, 265 U. S. 388; Commonwealth Trust Co. v. Smith, 266 U. S. 152; Garretson v. National Surety Co., 63 F. 2d 847; Chicago, M., St. P. & P. R. Co. v. Adams County, 72 F. 2d 816; State of Washington v. United States, 87 F. 2d 421; Angell v. Schram, 109 F. 2d 380; Baird v. Peoples Bank & Trust Co., 120 F. 2d 1001. Under Section 4 of the Statute, 35 U. S. C. A. 92, the reduction of royalties effected by the Orders inures only "to the benefit of the Government by way of a corresponding reduction in the contract price to be paid directly or indirectly for (the) manufacture, use, sale or other disposition of (the) invention." There is no consequent advantage thereunder, either direct or indirect, accruing to the defendant. It necessarily follows that under these circumstances, an injunction in conformity with the prayers for relief, restraining the defendant's compliance with the Orders, would affect the rights of the United States and leave the only conflicting interest; those of the plaintiff and the United States, in a state of uncertainty. This absence of an indispensable party defeats the equity jurisdiction of this Court. Ibid.

Even if the complaint could be regarded as presenting a "case" or "controversy" within the meaning of Article 3, Section 2 of the Constitution, it must be dismissed for want of equity. The bare allegations that the Act is unconstitutional and the Orders promulgated thereunder are invalid will not sustain the authority of the Court to grant injunc-

tive relief. It is well established that sufficient allegations of "further circumstances" which bring the suit within "some recognized head of equity jurisdiction" is a prerequisite to the exercise of this extraordinary power: *Cruickshank v. Bidwell*, 176 U. S. 73; *Boise Artesian Water Co. v. Boise City*, 213 U. S. 276; *Southern Railway Co. v. King*, 217 U. S. 524; *Heald v. District of Columbia*, 259 U. S. 114; *Terrace v. Thompson*, 263 U. S. 197; *Northport Power & Light Co. v. Hartley*, 283 U. S. 568; *Matthews v. Rodgers*, 284 U. S. 521; *Champlin Refining Co. v. Corporation Commission*, 286 U. S. 210; *Anniston Mfg. Co. v. Davis*, 301 U. S. 337; *Arnell v. Hillsborough Packing Co.*, 70 F. 2d 435; *Richmond Hosiery Mills v. Camp*, 74 F. 2d 200, and other cases herein cited. The allegations of the complaint are patently deficient in this respect and the reasons for this deficiency are evident.

The present suit has for its ultimate object the protection of the plaintiff's contractual right to the royalties fixed by the license agreement and due and to become due thereunder. This right, a mere chose in action, is cognizable and enforceable in an action at law. If the Act is constitutional and the Orders issued thereunder valid, the plaintiff may maintain an action against the United States under Section 2 of the Statute, 35 U. S. C. A. 90, "to recover such sum, if any, as when added to the royalties fixed and specified in (the Orders), shall constitute fair and just compensation . . . for the manufacture, use, sale or other disposition of the licensed invention for the United States." If the converse is true, the plaintiff may, notwithstanding the statutory prohibition,⁴ recover the royalties fixed by the license agreement in an action at law against the parties liable for their payment; the provisions of the Act, if unconstitutional, could not be successfully interposed as a defense to such an action.

Cruickshank v. Bidwell, 176 U. S. 73, 81.

It seems obvious that this action fails to meet the recognized test of equity jurisdiction, to wit, the lack of a plain, adequate, and complete remedy at law. The complaint is

⁴ Royalty Adjustment Act, s. 1, 56 Stat. 1013, 35 U. S. C. A. 89.

devoid of any allegations from which it may be inferred that the available legal remedies are inadequate and is equally devoid of any allegations from which it may be inferred that the plaintiff, if left to his legal remedies, would be exposed to imminent danger of irreparable injury. These prerequisites are indispensable to the exercise of equity jurisdiction. *Cruikshank v. Bidwell*; *Boise Artesian Water Co. v. Boise City*; *Heald v. District of Columbia*; *Massachusetts v. Mellon*; *Terrace v. Thompson*; *Northfort Power & Light Co. v. Hartley*; *Matthews v. Rodgers*; *Champlin Refining Co. v. Corporation Commission*; *Aniston Mfg. Co. v. Davis*, all *supra*; *Cavanaugh v. Looney*, 248 U. S. 453; *United Gas Co. v. Railroad Commission*, 278 U. S. 300; *State Commission v. Wichita Gas Co.*, 290 U. S. 561.

The complaint is dismissed for the reasons herein stated and the temporary injunction heretofore granted is vacated.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1943

No. 939

ROSCOE A. COFFMAN,

Plaintiff-Appellant,

vs.

BREEZE CORPORATIONS, INC., A CORPORATION OF THE
STATE OF NEW JERSEY,

Defendant-Appellee.

UNITED STATES OF AMERICA,

Intervenor.

ADDENDUM TO STATEMENT OF JURISDICTION

How the Court Below abused its discretion.

VI.

The Court below should have issued its injunction as prayed for because:

(a) It cannot be said that the action should be dismissed for the absence of the United States as a necessary party, for it intervened in the action and moved to dismiss.

(b) It cannot be said there was no justiciable controversy because an injunction was sought to restrain Breeze Corporations, Inc. from paying \$210,000. of plaintiff's royalties, due him for 1943 under his contract of December

8, 1932, to the Treasurer of the United States pursuant to the command of the Royalty Adjustment Orders Nos. W-9 and N-7. The injunction was served before any of plaintiff's royalties for 1943 were paid over, and it caught the money in the hands of plaintiff's debtor.

Prior to the service of the notices under the statute on February 24 and March 3, 1943, a substantial part of plaintiff's royalties were being paid him under the terms of his contract of December 8, 1932 (Aporta affidavit annexed to Complaint, par. 4). Service of such notices terminated all payments to plaintiff. The Royalty Adjustment Orders threatened to destroy his vested rights under his contract made in 1932.

If plaintiff may not restrain his debtor from complying with the Royalty Adjustment Orders and paying his money to the Treasurer of the United States, he certainly will be met with the defense of payment in the action at law to recover his royalties which the District Court suggests. If the Royalty Adjustment Act is valid plaintiff may not even sue at law.

Only this Court can say that payment pursuant to the Royalty Adjustment Orders will not discharge Breeze Corporation's obligation to plaintiff. *Security Bank v. California*, 263 U. S. 282; *Anderson National Bank v. Ludsett, Commissioner*, (Decided Feb. 28, 1944).

Why should plaintiff be compelled to await the complete destruction of his rights, when the legality of the threatened injury can be speedily and effectively determined in this action in equity?

The Royalty Adjustment Act of 1942 under which Orders Nos. W-9 and N-7 were issued is obviously void. It contains not a single standard for the guidance of the "purchasing agency" which believes the price charged is too great because of royalties payable to inventors.

It is not an act of Eminent Domain, for the taking is only of accounts receivable due inventors for an award, not of the value of what is taken, but something far less. To the extent that all royalties were denied plaintiff on parts and cartridges the only beneficiary is the contractor-licensee.

The sole right to sue in the Court of Claims is to recover not what plaintiff's contract gave him (with the validity of his patents conceded) but fair value subject to any and all defenses that agile minds can conjure up.

The act destroyed vested rights of the plaintiff in both his patents and his contract of December 8, 1932.

JAMES D. CARPENTER, JR.,

Of Counsel with Plaintiff-Appellant,

Office & P. O. Address #75 Montgomery St.,

Jersey City 2, N. J.

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CHARLES E. MOORE, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1943.

No. 

71

ROSCOE A. COFFMAN,

Plaintiff-Appellant,

vs.

FEDERAL LABORATORIES, INC., and
BREEZE CORPORATIONS, INC.,

Defendants-Appellees.

UNITED STATES OF AMERICA,

Intervenor.

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF NEW JERSEY.

BRIEF OF APPELLANT IN OPPOSITION TO MOTION TO AFFIRM.

JAMES D. CARPENTER, JR.,

Of Counsel with Plaintiff-Appellant,

75 Montgomery Street,

Jersey City 2, N. J.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1943.

No. _____

ROSCOE A. COFFMAN,
Plaintiff-Appellant,

v.s.

FEDERAL LABORATORIES, INC., and BREEZE
CORPORATIONS, INC.,
Defendants-Appellees.

UNITED STATES OF AMERICA,
Intervenor.

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF NEW JERSEY.

BRIEF OF APPELLANT IN OPPOSITION TO MOTION TO AFFIRM.

The motion to affirm filed by the Solicitor General sharply presents the question whether an inventor who is entitled to royalties under an agreement made long before the war may file a bill in equity in a federal district court to restrain his licensees from paying royalties actually due to him to the Treasurer of the United States in compliance with Royalty Adjustment Orders made under the provisions of the Royalty Adjustment Act of 1942 (56 Stat. 1013, 35 U. S. C. Supp. III, 89-96).

Plaintiff is the inventor of the Coffman airplane cartridge-starter and cartridges or shells for use therein which are used in a large percentage of the aircraft used by the United States and its Allies in this war. The starters are set in motion by the control of the gases generated from the burning of the charge contained in the shells in the manner and method described in the patents. Coffman granted an exclusive license December 8, 1932 to Federal Laboratories, Inc., and alternately to its successor in business, the defendant Breeze Corporations, Inc., to make, use and sell devices and shells embodying the inventions, types and designs set forth in plaintiff's patents, and licensees agreed to pay Coffman six per cent of the net sales prices of all starters, parts for starters and cartridges that they should make and sell.

Payment of royalties to plaintiff was stopped by notice served by the War and Navy Departments in February and March, 1943, under the provisions of the Royalty Adjustment Act aforesaid. Although that act requires an order fixing the rates of royalties to be issued within a reasonable time, the Royalty Adjustment Orders complained of in this case were not served until late in December 1943. They permitted licensees to pay licensor \$8.00 per starter, but in no event more than \$50,000 in any one year commencing January 1, 1943, and denied plaintiff all royalties on parts for starters and cartridges.

Although plaintiff's royalties at the six per cent rate between January 1, 1943 and the issuance of the Royalty Adjustment Orders exceeded \$250,000, said orders demanded that the licensees forthwith pay all royalties in excess of \$50,000 for the year 1943 to the Treasurer of the United States.

Plaintiff having been paid no royalties by his licensees for the year 1943, promptly filed in the United States Dis-

trict Court for the District of New Jersey a verified complaint praying an injunction restraining his licensees from paying his money, in excess of \$50,000, to the Treasurer of the United States as required by the Royalty Adjustment Orders. His complaint charged that there was due and owing plaintiff to November 30, 1943 approximately \$260,000, of which approximately \$210,000 was owing him by defendant Breeze Corporations, Inc. and the balance by Federal Laboratories, Inc. The complaint charged that the Royalty Adjustment Act and the orders made thereunder were null and void as taking his vested rights without just compensation, without due process of law, and that said act having no standards violated Article I, Paragraphs 1 and 8 of the Constitution.

The complaint showing that irreparable damage would ensue to the plaintiff unless an injunction was issued, a special three-judge court was immediately summoned, a temporary injunction was issued and immediately served, and notice was given to the Attorney General, all as required by the act of August 24, 1937 (C. 754, Sec. 3, 50 Stat. 752, 28 U. S. C. 380a).

The Attorney General duly intervened in the action and filed a motion to dismiss alleging that the complaint did not present a case or controversy entitling the plaintiff to a decision of the constitutional questions; and that the Royalty Adjustment Act and the orders issued thereunder were valid.

After argument the special court dismissed the complaint, holding in its opinion that since the inventor might sue the licensee in an action at law and therein raise the question of the legality of the Royalty Adjustment Orders and the constitutionality of the Royalty Adjustment Act aforesaid, and since the licensee did not contest the inventor's right to an injunction there was no justiciable con-

troversy to support the bill, and granted the motion of the United States as intervenor to dismiss the complaint.

Forthwith upon the signing of a decree of dismissal plaintiff's appeal was allowed, the order allowing the appeal also allowing the plaintiff an injunction until the further order of this court. No motion has been made to lift this injunction, which, of course, will fall if this motion to affirm is granted.

It is elemental that this case having been decided below on a general demurrer, i. e., a motion to dismiss, all the allegations of the complaint that are well pleaded are admitted for the purposes of the case.

United States v. Linn, 1 How. 104;

Livingston v. Story, 9 Pet. 632;

Christmas v. Russell, 5 Wall. 290;

Concordia Ins. Co. v. School Dist., 282 U. S. 545.

I.

The Royalty Adjustment Orders by their terms show the necessity of appellant having injunctive relief.

We respectfully invite the court to examine Royalty Adjustment Orders No. W-9 (made by the War Department December 18, 1943) and No. N-7 (made by the Navy Department December 23, 1943), which are identical in form. These Orders recite "that the rates or amounts of royalties, provision for the payment of which by Licensee to Licensor is made in an agreement dated December 8, 1932, were believed to be unreasonable or excessive taking into account the conditions of wartime production" etc. The Order shows that written notice was given on or about March

3, 1943 to Licensor and Licensee "and that until the making of an order herein no royalties should be paid by Licensee to Licensor". The Royalty Adjustment Orders provide:

"(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows:

(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight (\$8) Dollars each, and

(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties;

but not to exceed the sum of Fifty Thousand (\$50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the War Department and the Navy Department, added together.

"(2) Until further Order, Licensee is hereby authorized to pay to Licensor, on account of any manufacture, use, sale or other disposition of said alleged inventions for the Navy Department heretofore occurred, or hereafter occurring while Sections 1 and 2 of said Act remain in force, *royalties at the rate and not to exceed* the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above-mentioned license agreement dated December 8, 1932, and

(b) any license or arrangement between Licensor and Licensee entered into on or after the effective date of said notice and during the time that Sections 1 and 2 of said Act remain in force which in any respect continues, supplements,

modifies or supersedes the license referred to in subparagraph (a) hereof or the present arrangement under which said royalties are paid.

"(3) Licensee is hereby directed to pay over to the Treasurer of the United States, through Commanding General, Army Air Forces Materiel Command, attention, Royalty Adjustment Board, Wright Field, Dayton, Ohio, the balance, in excess of the payments authorized by paragraph (2) hereof, of all royalties specified in the licenses or arrangements referred to in paragraph (2) hereof which were due to Licensor and were unpaid on the effective date of said notice, or since said date have or may hereafter become due to Licensor, on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department heretofore occurred or hereafter occurring while Sections 1 and 2 of said Act remain in force; and demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor." (Italics supplied for emphasis.)

In mandatory terms both Royalty Adjustment Orders did nothing less than direct plaintiff's licensee forthwith to pay plaintiff's money owing him by his licensee to the Treasurer of the United States.

Paragraph (3) of the Royalty Adjustment Orders compelled the licensor Coffman either to seek injunctive aid from the courts, or by inaction suffer his money to be paid over to the Treasurer of the United States.

The Solicitor General is in error when he contends that plaintiff has no interest at stake requiring a determination of the constitutional validity of the Royalty Adjustment Act. Had plaintiff's licensees paid his money to the United States under these Orders, then plaintiff in any other action against his licensees to recover his royalties in excess of

\$50,000 per annum, would have been met either with a motion to dismiss for want of a cause of action under Paragraph 1 of the Royalty Adjustment Act; or with a plea of payment to the Treasurer of the United States pursuant to the command of the Royalty Adjustment Orders made pursuant to the provisions of the Royalty Adjustment Act; or, that plaintiff's moneys had been taken by the United States under its power of eminent domain, and there is a strong probability that either of such motions or pleas would be held valid if plaintiff had not promptly acted to preserve his rights.

The property of A being confiscated under the acts and by the courts of a foreign state, and a commissioner appointed to collect the debts due to his estate, payment to that commission of a note given by B to A in Connecticut before the confiscation shall discharge B from any further liability therein.

Baldwin v. Kellogg, 1 Day. (Conn.) 4.

See also

Security Bank v. California, 263 U. S. 282;
Anderson National Bank v. Ludset, Commissioner, (Oct. Term 1943; decided Feb. 28, 1944).

Plaintiff's right to file a complaint for an injunction under the facts and circumstances of this case is under the doctrine that equity will not suffer a wrong without a remedy. *Independent Wireless Tel. v. Radio Corporation of America*, 269 U. S. 459.

Furthermore, the Royalty Adjustment Act by its terms provides: "The Licensor shall not have any remedy by way of suit, set-off, or other legal action against the Licensee

for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such Licensor's sole and exclusive remedy except as to the recovery of royalties fixed in said order shall be as provided in Section 2 hereof." (Par. 1.)

Section 2 provides for an exclusive remedy by suit in the Court of Claims (except as to cases involving less than \$10,000). "to recover such sum, if any, as, when added to the royalties fixed and specified in such order shall constitute fair and just compensation to the licensor" . . . taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement."

It is to be observed that Paragraph 1 of the act in terms forever deprives plaintiff of any remedy by suit or other legal action against his licensees for the payment of any royalties in excess of the \$50,000 maximum, and it cannot be denied that if Section 1 of the Royalty Adjustment Act is valid plaintiff never can bring or prosecute the form of action which the court below said plaintiff might bring in order to raise the question of the constitutionality of the Royalty Adjustment Act.

We are not attempting here to argue this case on the merits and show that this exclusive remedy in the Court of Claims does not give this plaintiff just compensation. We merely wish to point out that plaintiff's valuable contract rights were so threatened that they would have been forever lost had an injunction not been issued and served before his money was paid over to the Treasurer of the United States as required by the Royalty Adjustment Orders.

There is not a word in the statute which justifies the administrative agency ordering any of a licensor's royalties paid to the

I. I.

Plaintiff's suit was improperly dismissed not only because there was a justiciable controversy, but moreover plaintiff's property rights were threatened with destruction and could only be saved by an injunction.

That this is a justiciable controversy, is settled by the decision of Mr. Chief Justice Hughes in *Actua Life Insurance Co. v. Haworth*, 300 U. S. 227, 240.

Here there was a concrete case admitting of an immediate and definitive determination of the legal rights of the parties in an adversary proceeding upon the facts alleged, and in such cases "the judicial function may be appropriately exercised although the adjudication of the rights of the litigants may not require the award of process or the payment of damages. *Nashville, C. & St. L. R. Co. v. Wallace*, 288 U. S. 263 (and other cases cited by Chief Justice Hughes)."

This case in principle is strikingly like *Vicksburg Waterworks Co. v. Vicksburg*, 185 U. S. 65, where the bill of complaint alleged that the Waterworks Company had a contract with the municipality supported by legislative sanction for a municipal water supply. The city passed an ordinance directing the Waterworks Company be notified that the city denied any liability on its contract for the use of hydrants and then held an election to authorize an issue of bonds to buy and construct waterworks of its own. The city refused to pay the amount due and payable under the terms of its contract with the Water Company. The Waterworks Company then filed a bill in the Federal Court to enjoin the city from taking further steps to violate its con-

tract with the plaintiff. Mr. Justice Shiras speaking for this court said:

"It is further contended that the bill does not disclose any actual proceeding on the part of the city to displace complainant's rights under the contract, that mere apprehension that illegal action may be taken by the city cannot be the basis of enjoining such action, and that therefore the circuit court did right in dismissing the bill. We cannot accede to this contention. It is one often made in cases where bills in equity are filed to prevent anticipated and threatened action. But it is one of the most valuable features of equity jurisdiction, to anticipate and prevent, a threatened injury, where the damages would be insufficient or irreparable. The exercise of such jurisdiction is for the benefit of both parties; in disclosing to the defendant that he is proceeding without warrant of law, and in protecting the complainant from injuries which, if inflicted, would be wholly destructive of his rights."

In *Pennsylvania v. West Virginia*, 262 U. S. 553, this court said:

"One does not have to await the consummation of threatened injury to obtain preventive relief. If the injury is certainly impending that is enough."

Other cases directly in point are:

Swift v. United States, 276 U. S. 311;

Euclid v. Ambler Realty Co., 272 U. S. 365;

Pierce v. Society of Sisters, 268 U. S. 510;

City Bank v. Schnader, 291 U. S. 24;

Carter v. Carter Coal Co., 298 U. S. 238.

There is no force in the insistence of the Solicitor General that plaintiff can have no relief merely because the

defendants have not invoked the Royalty Adjustment Act or the orders issued thereunder as an excuse for not complying with their obligation under the license agreement, or have not asserted the validity or invalidity of the act or orders, and did not offer any resistance or objection to the plaintiff's application for injunctive relief. Suppose, as we suspect, the licensee with fraud charges pending against it by the licensor, would have preferred to pay over the plaintiff's royalties to the United States? Would that fact deprive the plaintiff of the right to an injunction to prevent the wrongful disposition of plaintiff's own money? The question is not what was the attitude of the licensees toward the payment of plaintiff's royalties to the Treasurer of the United States; the question in fact is would the payment of all royalties due and to grow due to the plaintiff in excess of \$8 per starter, with a maximum of \$50,000 per annum, to the Treasurer of the United States, as the Royalty Adjustment Orders commanded, be destructive of plaintiff's vested rights? With the Royalty Adjustment Act (Section 1) forever preventing the licensor from suing licensees in any suit or legal action for the payment of any royalties in addition to \$8 per starter, maximum \$50,000 per annum, or damages for breach of contract or otherwise, it is to be expected that the licensees would remain quiescent and permit the contest to be conducted between the plaintiff on the one hand and the United States on the other.

When one considers the terms and effects of the Royalty Adjustment Orders and discerns that compliance therewith and payment of plaintiff's money, not licensee's money, to the Treasurer of the United States would have operated probably as a discharge of the licensee's debt to plaintiff-licensor, leaving him only with a right of action against the United States in the Court of Claims,—not on his contract

but only for just compensation for such use as was made of the plaintiff's patents in performance of Government work—it becomes clear that plaintiff's rights were saved solely and exclusively by the injunction issued in the court below, and which has been continued until the further order of this court by the order allowing the appeal.

The contention made by the Solicitor General that an injunction should not issue because the defendants are under no duress to comply with the Royalty Adjustment Orders "since the act does not subject them to any fines or penalties," is no reason for denying plaintiff an injunction as prayed for. Had plaintiff delayed until after his money was paid over as the orders directed his rights would have been lost through laches! The fact that the licensees were being sued by censor in an accounting action in which they were charged with active fraud was a good and sufficient reason why the defendants unless restrained might promptly pay the Treasurer of the United States the royalties due plaintiff. Furthermore, the fact that the licensees did not in any way oppose the granting of an injunction is not a circumstance militating against the plaintiff's rights, for the licensees may have been well content to sit on the dock and watch him drown rather than throw him a line, in view of the charges made in the action above mentioned that was awaiting trial.

This suit was not filed in an effort merely to litigate a constitutional question which should be left to an action at law (which incidentally the Royalty Adjustment Act denies), nor to attempt academically to seek to set aside an act of Congress. The valuable, vested rights of the plaintiff, an inventor, were and are threatened with utter destruction and no other action of which counsel is aware was so appropriate and timely as this.

III.

The jurisdiction of this Court cannot be questioned.

It is respectfully submitted that the language of the act of August 24, 1937 (50 Stat. 752) required a special three-judge court to be summoned below because the constitutionality of the Royalty Adjustment Act of 1942 aforesaid was brought in question. That statute expressly provides that an appeal may be taken directly to this court "within thirty days after the entry of the order, decree or judgment granting or denying after notice and hearing an interlocutory or permanent injunction in such case." The decree of dismissal entered in the court below was unquestionably a decree denying plaintiff the injunction which he sought.

It is respectfully submitted that the motion to affirm should be denied.

Respectfully submitted,

JAMES D. CARPENTER, JR.,
Of Counsel with Plaintiff-Appellant,
75 Montgomery Street,
Jersey City 2, N. J.

NOV 22 1944

CHARLES ELMOSE DOWLEY

Supreme Court of the United States

OCTOBER TERM, 1944

NO. 71.

ROSCOE A. COFFMAN, Appellant,

v.

BREEZE CORPORATIONS, INC., and THE UNITED STATES OF AMERICA.

Appeal from the District Court of the United States for the District of New Jersey.

NO. 485.

ROSCOE A. COFFMAN, Appellant,

v.

FEDERAL LABORATORIES, INC., and THE UNITED STATES OF AMERICA.

Appeal from the District Court of the United States for the Western District of Pennsylvania.

BRIEF FOR APPELLANT.

JAMES D. CARPENTER, JR.,

75, Montgomery Street,
Jersey City, N. J.,

JOHN G. BUCHANAN,

WILLIAM H. ECKERT,

1025 Union Trust Building,
Pittsburgh, Pa.,

Attorneys for Appellant.

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Supreme Court of the United States

OCTOBER TERM, 1944

ROSCOE A. COFFMAN, Appellant,

v.

BREEZE CORPORATIONS, INC.,

and

THE UNITED STATES OF AMERICA.

No. 71

ROSCOE A. COFFMAN, Appellant,

v.

FEDERAL LABORATORIES, INC.,

and

THE UNITED STATES OF AMERICA.

No. 485

BRIEF FOR APPELLANT.

L

Opinions Below.

The opinion of the District Court of the United States for the District of New Jersey in case No. 71 was rendered April 6, 1944, and is reported in 55 Fed. Supp. 501.

In case No. 485 the United States District Court for the Western District of Pennsylvania filed no opinion, but on August 1, 1944, entered an order, which is unreported (No. 485, R. 64).

Jurisdiction.**II.****Jurisdiction.**

(a) The statutory provision believed to sustain the jurisdiction of this Court upon appeal to review the judgments in question is the Act of August 24, 1937, c. 754, § 3, 50 Stat. 752, 28 USC § 380a. The statutory provision sustaining the jurisdiction of the District Court in each case is the Judicial Code, § 24 (par. 1), 28 USC § 41, subd. (1), since the matter in controversy in each case exceeds, exclusive of interest and costs, the sum or value of \$3,000, and is between citizens of different States.

(b) The statute of the United States, the validity of which is involved, is the Act of October 31, 1942, c. 634, 56 Stat. 1013, 35 USC §§ 89-96. This statute is printed in Appendix A to this brief (p. 74).

(c) The date of the judgment of the District Court for the District of New Jersey sought to be reviewed was April 6, 1944, and the date upon which the application for appeal was presented was April 6, 1944. The date of the judgment of the United States District Court for the Western District of Pennsylvania sought to be reviewed was August 1, 1944, and the date upon which the application for appeal was presented was August 29, 1944.

III.**Statement of the Case.**

These two cases involve precisely the same points of law arising under the contract, an exclusive license agreement dated December 8, 1932, between appellant, an inventor, and Federal Laboratories, Inc., a Delaware

corporation having its principal place of business in Pittsburgh, Pa., granting to it and alternately to its successor in business (Breeze Corporations, Inc., as appellant asserts), a non-assignable and exclusive license during the life of plaintiff's patents to make, use and sell Coffman Starters for internal combustion motors, and shells to start same, reserving to appellant royalties of six per cent of the net selling price of starters, parts and shells (No. 71, R. 11; No. 485, R. 17).

After said exclusive license was granted, defendant Breeze Corporations, Inc., bought all the common capital stock and a majority of the preferred stock of Federal Laboratories, Inc., and took over the manufacture, use and sale of the Coffman Starters (No. 71, R. 2, par. 5; No. 485, R. 2, par. 7). Federal Laboratories, Inc., manufactures and sells the shells which actuate the starters. The appellant avers that the patented devices are used in a very large percentage of aircraft being used by the United States and its Allies in the present war (No. 71, R. 1, par. 2). The starters are set in motion by the explosion of shells, the motor being started not by the explosion but by the control of the gases generated by the burning of the charge contained in the patented shells, controlled in the manner and method described in the patents (No. 71, R. 1, par. 2). The complaints aver that after Breeze Corporations, Inc. took over Federal Laboratories, Inc., as aforesaid, both defendants commenced arbitrarily deducting from remittances of royalties to plaintiff twenty-five per cent thereof on each accounting period (No. 71, R. 2, par. 5; No. 485, R. 5, par. 19).

Appellant brought suit in the United States District Court, District of New Jersey, against Breeze Corporations, Inc., and Federal Laboratories, Inc., in February,

Statement of the Case.

1941, praying for an accounting not only for royalties due under the agreement but also for certain sums claimed to be due because of certain frauds in connection with the sale of rights under plaintiff's English patents (No. 71, R. 2, 3, par. 6), which suit was pending undetermined (see Pleadings, No. 71, R. 20-42) when the matters hereinafter mentioned occurred. That suit has not yet been reached for trial.

Under dates of February 24 and March 3, 1943, the Navy Department and War Department respectively gave notice to Breeze Corporations, Inc., Federal Laboratories, Inc., and plaintiff, pursuant to the Act of October 31, 1942, P. L. 768, 77th Congress (U. S. C. Title 35, §§ 89-96), that the royalties under plaintiff's agreement of December 8, 1932, were believed to be unreasonable or excessive; notifying the licensees, Federal Laboratories, Inc., and Breeze Corporations, Inc., not to pay to plaintiff nor charge directly or indirectly to the United States any royalties until an order should be made as provided in said Act, fixing the royalties or amounts of royalties, if any, to be paid (No. 71, R. 59, 60).

On December 18, 1943, and December 23, 1943, Royalty Adjustment Orders W-9 and N-7 respectively were issued and served by mail on plaintiff (Complaint, No. 71, R. 3, par. 8; R. 5, par. 10; Complaint, No. 485, R. 8, par. 26). The Royalty Adjustment Orders are identical in their provisions (No. 71, R. 42, 46; No. 485, R. 39, 43). They recite the notices given as above mentioned; that appellant with his accountant presented in person and through his accountant such facts and circumstances as he desired having a bearing upon the rates or amounts of royalties to be determined, and provided:

"Now, therefore, pursuant to authority of and

for the purposes set forth in said Act, and upon taking into account the facts and circumstances presented as aforesaid, the conditions of wartime production, and such other facts and circumstances as ought properly to be considered in determining a fair and just rate or amount of royalties in the premises, it is hereby ordered as follows, viz:

(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows:

(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight (\$8) Dollars each, and

(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties:

but not to exceed the sum of Fifty Thousand (\$50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943, in respect of starters sold to or for the War Department and the Navy Department, added together.

(2) Until further Order, licensee is hereby authorized to pay to Licensor, on account of any manufacture, use, sale, or other disposition of said alleged inventions for the War Department heretofore occurred, or hereafter occurring while Sections 1 and 2 of said Act remain in force, royalties at the rate and not to exceed the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above-mentioned license agreement dated December 8, 1932, and

Statement of the Case.

(b) any license or arrangement between Licensor and Licensee entered into on or after the effective date of said notice and during the time that Sections 1 and 2 of said Act remain in force which in any respect continues, supplements, modifies or supersedes the license referred to in subparagraph (a) hereof or the present arrangement under which said royalties are paid.

(3) *Licensee is hereby directed to pay over to the Treasurer of the United States, through Commanding General, Army Air Forces Material Command, attention, Royalty Adjustment Board, Wright Field, Dayton, Ohio, the balance in excess of the payments authorized by paragraph (2) hereof, of all royalties specified in the licenses or arrangements referred to in paragraph (2) hereof which were due to Licensor and were unpaid on the effective date of said notice, or since said date have or may hereafter become due to Licensor, on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department heretofore occurred or hereafter occurring while Sections 1 and 2 of said Act remain in force; and demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor.* (Italics ours) (No. 71, R. 42, 46; No. 485, R. 39, 43).

CASE NO. 71.

Plaintiff promptly filed his verified complaint (No. 71, R. 1) in the District Court for the District of New Jersey, where defendant Breeze Corporations, Inc., has its plant, and prayed that Breeze Corporations, Inc., and

Federal Laboratories, Inc., be restrained from paying to the Treasurer of the United States any of plaintiff's accrued royalties and any royalties that may hereafter become due to the plaintiff under his contract of December 8, 1932, pursuant to the command of paragraph 3 of said orders. Plaintiff alleges that the Royalty Adjustment Act and the orders made thereunder operated to deny him his right of an accounting in an action commenced in the same court in February, 1941, and still pending (No. 71, R. 3, 7). He prayed that the Act of Congress aforesaid and the Royalty Adjustment Orders might be adjudged to be null and void as violative of the Fifth Amendment, and that a special three-judge court might be summoned to hear the case; and since plaintiff would suffer irreparable harm and damage, that a temporary injunction might issue. There was annexed to the complaint an affidavit of John A. Aporta, an accountant appointed by the Court to examine the books of the defendant Breeze Corporations, Inc., in the action started in 1941, who said: "I found from my examination of Breeze Corporations, Inc.'s books and records that that company in 1943 sold Coffman Starters, engine cartridges and parts from January 1 to November 30 for a total of \$3,273,076.53" (No. 71, R. 10). The royalties at six per cent on that amount would equal over \$196,000. Mr. Aporta said that the books of Federal Laboratories, Inc., showed that plaintiff was paid his royalties quarter-annually until September, 1937, and that thereafter twenty-five per cent was deducted arbitrarily. Payment of all royalties to plaintiff under his contract terminated with the service by the War and Navy Departments of the notices of February 24 and March 3, respectively, above mentioned.

Statement of the Case:

Pursuant to the requirements of the Act of Congress of August 24, 1937, U. S. C. Title 28, § 380(a), due notice was given to the Attorney General and service of summons as well as a temporary injunction was made on defendant Breeze Corporations, Inc. (No. 71, R. 49). Service could not be made on defendant Federal Laboratories, Inc., in New Jersey and it did not appear in the action.

The Attorney General appeared and filed his response to the certification of the Court, and filed a motion for leave to intervene in the proceedings as provided by the Act of August 24, 1937 (No. 71, R. 50). The order allowing intervention provided "that the United States of America is deemed to be a party in the above entitled proceeding," etc. (No. 71, R. 52).

On February 5, 1944, when the cause came on for argument before the special three-judge court, the Attorney General filed a motion to dismiss the complaint on a number of different grounds, including (1) that the court lacks jurisdiction over the subject matter because the complaint sets out no case or controversy; (2) because plaintiff has no standing to maintain this proceeding; (3) because the complaint sets forth no cause of action warranting equitable relief; (4) because plaintiff has no standing to challenge the validity of the Royalty Adjustment Act or the Orders until Federal Laboratories, Inc., is subject to the jurisdiction of the court by service or appearance; (5) because the complaint fails to state a cause of action, in that the Royalty Adjustment Act is constitutional and valid and the Royalty Adjustment Orders are proper (No. 71, R. 57).

Defendant Breeze Corporations, Inc., filed an answer admitting that it was the owner of all the common

capital stock of Federal Laboratories, Inc. (No. 71, R. 54, par. 3), admitting that it began the manufacture and sale of starters for Federal Laboratories, Inc., pursuant to agreements between Breeze Corporations, Inc., and Federal Laboratories, Inc., dated April 28, 1937, and extended by agreement of April 28, 1939 (No. 71, R. 54, par. 4). It denied it was indebted to the plaintiff in any sum (No. 71, R. 56, par. 9).

DECISION BELOW IN CASE No. 71.

The special court on April 6, 1944, after hearing argument on behalf of the plaintiff and the Assistant Attorney General, entered a judgment dismissing plaintiff's complaint (No. 71, R. 70). The opinion of the court was written by District Judge Smith (R. 61). The court below held that there was no "case" or "controversy" between the immediate parties within the meaning of Art. III, Sec. 2, of the Constitution; that the United States was a necessary and indispensable party whose absence was sufficient to defeat the equity jurisdiction of the court; and that the complaint must be otherwise dismissed for want of equity. Plaintiff immediately appealed to this Court, as permitted by the Act of August 24, 1937, U. S. C. Title 28, § 380(a).

CASE No. 485.

On June 14, 1944, plaintiff filed his complaint in the United States District Court for the Western District of Pennsylvania against Federal Laboratories, Inc., a corporation of the State of Delaware, and Breeze Corporations, Inc., a corporation of the State of New Jersey, containing three causes of action (No. 485, R. 1). This action seemed necessary because of a letter written May 3, 1944, by Lt. Col. J. C. Burton, J.A.G.D.,

Chairman of the Royalty Adjustment Board, addressed to Breeze Corporations, Inc., demanding payment of the amounts due the United States pursuant to Royalty Adjustment Orders N-7 and W-9, in view of the denial of a stay by the District Court for the District of New Jersey, and the denial of a stay *pendente lite* by this Court pending the appeal (Ex. "F" annexed to the Complaint, No. 485, R. 46)...

The complaint alleges that at the time of the making of the license agreement plaintiff was the inventor and sole owner of the Letters Patent here involved; that when with his accountant he appeared before the Royalty Adjustment Board in Washington he insisted that because of the years of study, research and work that he had devoted to his discoveries leading to the grant of his patents, the risk to his life that he ran in perfecting the powder and experimenting with powder and shells, and the money he spent for traveling and other expenses in connection with his experiments, his patents, and the promotion thereof, the royalties reserved in his agreement were fair and just; and that it would not be fair and just or lawful for the Adjustment Board to attempt to change the same (No. 485, R. 1, par. 25).

The first cause of action alleged fraudulent representations made to plaintiff as to the amounts which the defendants were to receive from certain British companies on the sale of rights to manufacture and sell Coffman Starters, etc., in England (No. 485, R. 1). Appellant prayed for an accounting. In the second cause of action appellant prayed that the defendants account for the starters, parts therefor and shells made by the defendants, and that they be decreed to pay him for all royalties earned pursuant to the contract of

December 8, 1932 (No. 485, R. 5). Appellant alleged the commencement and disposition of the action for an injunction in the United States District Court for the District of New Jersey (Case No. 71 in this Court); he alleged the making and service of the Royalty Adjustment Orders above mentioned; he charged that said orders and the Royalty Adjustment Act under which they were made were violative of plaintiff's constitutional rights, and he prayed that the court enjoin and restrain the defendants from complying with the terms of said orders and paying over his moneys (in excess of \$50,000 in any one year) to the Treasurer of the United States, as said orders command (No. 485, R. 6-11). Plaintiff's third cause of action was in the nature of an action at law (No. 485, R. 11). He alleged the amount of royalties that had been determined to be due and owing plaintiff by his accountants on an examination of the books and records of the two defendants, from January 1, 1937, to December 31, 1943, inclusive, \$371,625.95, together with interest. A schedule annexed to the complaint prepared by the accountants showed that there had been earned in the year 1943 on royalties from Breeze Corporations, Inc.'s manufacture of starters and parts \$216,173.73, and from Federal Laboratories, Inc., for cartridges for the year 1943 the sum of \$49,244.95 (No. 485, R. 46 A).

On the filing of this verified complaint and plaintiff's bond, Judge Gibson made an order (No. 485, R. 47), dated June 14, 1944, temporarily restraining the payment by Federal Laboratories, Inc., to the Treasurer of the United States of all royalties due and payable to the appellant in excess of \$50,000 in compliance with Royalty Adjustment Orders W-9 and N-7. This order and summons and complaint were duly served on

defendant Federal Laboratories, Inc. Process in this action could not be served on defendant Breeze Corporations, Inc., which is a New Jersey corporation.

Pursuant to the requirements of the Act of Congress of August 24, 1937, U. S. C. Title 28, § 380 (a), due notice was given to the Attorney General, and a three-judge court was duly summoned.

The United States, by its Assistant Attorney General Francis M. Shea, duly filed a response to the certification of the court of June 14, 1944, and moved for leave to intervene and become a party to said action in order to support the constitutionality and validity of the Royalty Adjustment Act and of Royalty Adjustment Orders Nos. W-9 and N-7 (No. 485, R. 48). At the same time the United States by its Assistant Attorney General filed a motion to vacate the temporary restraining order of June 14, 1944, and to dismiss the complaint in part (No. 485, R. 50), and his grounds for such motion alleged (1) that the judgment of the specially constituted three-judge court in the District of New Jersey (Case No. 71 herein) was *res judicata* as to that portion of the present action which seeks injunctive relief against compliance by defendants with the aforesaid Royalty Adjustment Orders; (2) the granting of an injunction restraining compliance by defendants with the Royalty Adjustment Orders would be inconsistent with the order of the Supreme Court of the United States of May 29, 1944, and the order of the three-judge court in New Jersey of May 24, 1944, denying plaintiff a temporary injunction against such compliance pending disposition of the appeal to the Supreme Court in Case No. 71 herein; (3) all the issues here raised by the prayer for injunctive relief are now pending decision in the Supreme Court in Case No. 71, October Term, 1944,

and in the Circuit Court of Appeals for the Third Circuit in *Timken-Detroit Axle Co. v. Alma Motors Co.*, No. 8300.

The District Court made an order dated July 18, 1944, granting the motion of the United States for leave to intervene pursuant to the Act of August 24, 1937, and Rule 24 of the Federal Rules of Civil Procedure (No. 485, R. 52).

The defendant Federal Laboratories, Inc., filed an answer in which it admitted that there was a balance due plaintiff at December 31, 1943, of \$180,230.44 (No. 485, R. 54). In paragraph 35 of said answer defendant Federal Laboratories, Inc., said:

"35. Defendant denies that judgment should be granted against it in the sum of \$371,625.96, or in the sum of \$180,230.44, or in any similar amount, for the reason that regardless of any amount herein admitted to be due under the terms of the original agreement of December 8, 1932, Royalty Adjustment Orders Nos. W-9 and N-7 which were served upon plaintiff in December of 1943, prohibit payment of all claims of the plaintiff for royalties, except the amounts provided in said Orders, which are the amounts and the only amounts admitted to be now due and owing by this defendant."

The case was argued before the said three-judge court on July 18, 1944. The court continued the temporary restraining order pending the disposition of the motion of the United States as intervenor to vacate the restraining order and to dismiss the complaint in part, and until the further order of the court (No. 485, R. 53).

DECISION BELOW IN CASE NO. 485.

On August 1, 1944, the special three-judge court in the Western District of Pennsylvania signed the order complained of dissolving and terminating the temporary restraining order issued June 14, 1944, denying plaintiff's motion for an injunction and dismissing paragraphs 24, 25, 26, 27, 28, 29, 30 and 32 of the complaint and sub-paragraphs (3) and (4) of plaintiff's prayers for relief (No. 485, R. 64). The order recites that the court was of opinion that the decision of the United States District Court for the District of New Jersey aforementioned correctly indicates the appropriate disposition to be made of the motions pending before the court.

On August 29, 1944, and within due time, plaintiff's appeal to this court from the order of August 1, 1944, denying plaintiff an injunction was duly allowed by Judge Gibson (No. 485, R. 65).

IV.**Assignment of Errors.**

Appellant specifies the following errors in case No. 71 as those which are intended to be urged:

1. The District Court of the United States for the District of New Jersey erred in entering judgment dismissing plaintiff's complaint.

2. The District Court erred in holding that there was no case or controversy between the parties hereto within the meaning of Article III, Sec. 2, of the Constitution of the United States.

3. The District Court erred in holding that the pleadings present nothing more than abstract questions and that the judicial power does not extend to the deter-

mination of the questions raised by the complaint in this cause.

4. The District Court erred in not holding that there was a real and substantial controversy presented by plaintiff's complaint, the allegations of which were admitted by the motion to dismiss, admitting of specific relief to the protection of plaintiff's rights to his royalties which were in the hands of the defendant Breeze Corporations, Inc., and preventing them being paid over to the Treasurer of the United States pursuant to the commands of Royalty Adjustment Orders Nos. W-9 and N-7.

Appellant specifies the following errors in case No. 485 as those which are intended to be urged:

1. The District Court of the United States for the Western District of Pennsylvania erred in denying appellant an injunction restraining defendant Federal Laboratories, Inc., from in any way complying with the terms of Royalty Adjustment Orders designated as Nos. W-9 and N-7, and especially from paying over to the Treasurer of the United States any royalties that were due plaintiff on the date said orders were issued (in excess of \$50,000.00 per annum), and further from paying to the Treasurer of the United States such royalties as have accrued and are continuing to accrue to plaintiff from and after the date of said orders (in excess of \$50,000.00 per annum).

2. The District Court erred in holding that there was not raised a presently justiciable question as to the constitutionality of the Royalty Adjustment Act of October 31, 1942 (35 U.S.C.A. §§ 89-96) or the validity of the Royalty Adjustment Orders (W-9 and N-7) issued in pursuance of said Act.

3. The District Court erred in granting the motion of the United States as intervenor and in striking out paragraphs 24, 25, 26, 27, 28, 29, 30 and 32 and subparagraphs (3) and (4) of plaintiff's prayers for relief.

4. The District Court erred in failing to hold that the Royalty Adjustment Act aforesaid and Royalty Adjustment Orders Nos. W-9 and N-7 violate the Fifth Amendment to the Constitution of the United States.

V.

Summary of Argument.

1. Appellant contends that the actions at bar are cases and controversies within the meaning of Art. III, Sec. 2, of the Constitution and are within the equitable jurisdiction of the courts of the United States, because

(a) The actions at bar between the appellant and defendants Breeze Corporations, Inc., and Federal Laboratories, Inc., were cases or controversies within the terms of the judiciary article of the Constitution;

(b) After the intervention of the United States, a controversy existed between it and the appellant as to the constitutionality of the Royalty Adjustment Act;

(c) The United States, having under the Act of August 24, 1937, c. 754, Section 1; 50 Stat. 751, 28 USCA § 401, become a party only "for presentation of evidence . . . and argument upon the question of the constitutionality" of the Royalty Adjustment Act, has no right to point out a want of equity jurisdiction in the court; and the defendants, not having raised the objection of want of equity jurisdiction, must be taken to have waived it;

(d) The cases are within the equity jurisdiction because the original action to which the case at No.

71 is ancillary, and the action in case No. 485, are both in the nature of bills for accounting by reason of complicated accounts; and the courts below, having properly acquired jurisdiction of the causes, should have disposed of the entire controversy and its incidents, including the question as to the constitutionality of the Royalty Adjustment Act;

(e). The importance of expediting the decision of the question as to the constitutionality of an act of Congress affecting the public interest is recognized in Section 3 of the Act of August 24, 1937, *supra*; and all the parties in interest in the controversy being now before this Court, it should determine the question as to the constitutionality of the Royalty Adjustment Act.

2. Appellant contends that the Act of October 31, 1942, c. 634, 56 Stat. 1013, 35 USCA §§ 89-96, and orders Nos. W-9 and N-7 made thereunder contravene the Fifth Amendment to the Constitution because

(a) They deprive the appellant of property without due process of law in that they take a right to receive money not for public use but for revenue, and constitute an arbitrary and capricious tax on appellant; and

(b) They take private property of appellant, to-wit, a contract right to receive money, without just compensation, not allowing him to recover the equivalent of the contract right so taken.

VI. Argument.**Point I.**

The Actions at Bar are Cases and Controversies Within the Meaning of Art. III, Sec. 2, of the Constitution and are Within the Equitable Jurisdiction of the Courts of the United States.

The jurisdiction of the District Courts depended upon diversity of citizenship of the parties.

The appellant, in 1941, commenced an action in the District Court for New Jersey against Breeze Corporations, Inc., and Federal Laboratories, Inc. (hereinafter referred to as "Federal" and "Breeze," respectively), for an accounting for royalties due the plaintiff under his contract of December 8, 1932 (No. 71, R. 2, 3, 20, 24). Breeze joined issue and the case was awaiting trial. The court made an order authorizing plaintiff's accountants to examine the books and records of the defendant (R. 3).

When the Royalty Adjustment orders were made and served, plaintiff promptly filed his action in case No. 71 for an injunction to restrain Breeze and Federal from complying with said orders and paying the moneys due plaintiff in excess of \$50,000 per annum to the Treasurer of the United States, on the ground that said Royalty Adjustment orders and the statute under which they were made were violative of plaintiff's constitutional rights. The action was filed, and process and a temporary injunction were served, before any moneys due plaintiff were paid to the Treasurer of the United States (R. 53, 56). This action was in aid of the action that had been pending in the same court since 1941 and

is a case or controversy within the meaning of the Constitution and the decisions of this Court as to whether any money was due from the defendant to the plaintiff. Plaintiff might have made a motion for an injunction in his action then pending in court to restrain his debtor from complying with said Royalty Adjustment orders until the determination of that cause. Since equity regards the substance rather than the form, it is submitted that it is immaterial that an ancillary action was brought in the same court and involving the same controversy as had been pending since 1941, instead of a motion for an injunction being made in the original action.

In his response to the certification of the District Court the Attorney General asked leave, pursuant to the Act of August 24, 1937, to intervene and become a party to the action for the purposes of said Act (R. 51). The leave was granted by an order providing that the United States was deemed to be a party (R. 52). The Act of August 24, 1937, c. 754, § 1, 50 Stat. 751, provides:

"Whenever the constitutionality of any Act of Congress affecting the public interest is drawn in question in any court of the United States in any suit or proceeding to which the United States, or any agency thereof, or any officer or employee thereof, as such officer or employee, is not a party, the court having jurisdiction of the suit or proceeding shall certify such fact to the Attorney General. In any such case the court shall permit the United States to intervene and become a party for presentation of evidence (if evidence is otherwise receivable in such suit or proceeding) and argument upon the question of the constitutionality of such

Act. In any such suit or proceeding the United States shall, subject to the applicable provisions of law, have all the rights of a party and the liabilities of a party as to court costs to the extent necessary for a proper presentation of the facts and law relating to the constitutionality of such Act."

It will be noted that the United States, under this statute, became a party for presentation of evidence and argument upon one question only, the question of the constitutionality of the Royalty Adjustment Act. When it did become a party for this purpose, we submit that a controversy was presented between the appellant and the United States as to the constitutionality of the Act. Upon that question the appellant's right to relief depended, since, if the Act was constitutional, he would not be entitled to the royalties prescribed by his contract nor to sue Breeze or Federal for greater royalties than \$50,000 per annum.

Action No. 485 was brought by the plaintiff in the District Court for the Western District of Pennsylvania against Federal (which had not been served and had not appeared in the New Jersey action) and Breeze for an accounting of royalties due plaintiff and for a judgment for plaintiff for the amount of money found to be due. In this action plaintiff prayed that an injunction issue restraining Federal and Breeze from complying with the Royalty Adjustment orders and paying to the Treasurer of the United States all moneys due and owing plaintiff under his contract of December 8, 1932, in excess of \$50,000 in one year (No. 485, R. 11). The allegations showing plaintiff's right to an injunction appeared in the complaint, which was verified. A temporary restraining order was issued on the filing of the

complaint and was served, with the summons and complaint, on defendant Federal. Notice was duly given to the Attorney General as provided by the Act of August 24, 1937, *supra*. The Attorney General filed a response to the certification and a motion for leave to intervene, in which he said: "Intervention is sought herein in order to support the constitutionality and validity of the Royalty Adjustment Act herein drawn in question and of Royalty Adjustment Orders Nos. W-9 and N-7" (R. 49). The motion of the United States was granted (R. 52). Defendant Federal filed an answer alleging that under the agreement of December 8, 1932, the sum of \$180,230.44 was due and owing from that defendant but denying that judgment should be granted in that or any similar amount, for the reason that the Royalty Adjustment orders prohibit payment of all claims of the plaintiff for royalties except the amounts provided in said orders (R. 54). In this action, therefore, there is a case or controversy between the appellant and Federal, not merely as to the amount due under the contract but also as to the validity and effect of the Royalty Adjustment orders. Moreover, since the United States has become a party, a controversy is presented between the appellant and the United States as to the constitutionality of the Royalty Adjustment Act. Upon this question, as we have said, the appellant's right to relief depends, since, if the Act is constitutional, he will not be entitled to the royalties prescribed by his contract nor to sue Breeze or Federal in any court for greater royalties than \$50,000 per annum.

That the actions against Breeze and Federal are cases or controversies within the meaning of the Constitution is clearly shown by the opinion of Mr. Chief Justice Marshall in *Weston v. City Council of Charleston*,

2 Pet. 449, in which he said of the similar term "suit" in the Judiciary Act (p. 464):

"The term is certainly a very comprehensive one, and is understood to apply to any proceeding in a court of justice, by which an individual pursues that remedy in a court of justice which the law affords him. The modes of proceeding may be various, but if a right is litigated between parties in a court of justice, the proceeding by which the decision of the court is sought is a suit."

In *Smith v. Adams*, 130 U. S. 167, the Court said by Mr. Justice Field (pp. 173-174):

"Whenever the claim or contention of a party takes such a form that the judicial power is capable of acting upon it, then it has become a case or controversy."

The fullest definition of what is a case or controversy is in the opinion of this Court by the present Chief Justice in *Nashville, etc. Ry. Co. v. Wallace*, 288 U. S. 249, in which the Court sustained the constitutionality of the Uniform Declaratory Judgments Act of Tennessee. Mr. Justice Stone said (pp. 261-262):

"That the issues thus raised and judicially determined would constitute a case or controversy if raised and decided in a suit brought by the taxpayer to enjoin collection of the tax cannot be questioned. See *Risty v. Chicago, R. I. & P. Ry. Co.*, 270 U. S. 378; compare *Terrace v. Thompson*, 263 U. S. 197; *Pierce v. Society of Sisters*, 268 U. S. 510; *Euclid v. Ambler Realty Co.*, 272 U. S. 365. The proceeding terminating in the decree below, unlike that in *South Spring Hill Gold Mining Co. v. Amador*, *Medcan Gold Mining Co.*, 145 U. S. 300; *Muskrat v.*

United States, 219 U. S. 346, was between adverse parties, seeking a determination of their legal rights upon the facts alleged in the bill and admitted by the demurrer. Unlike *Fairchild v. Hughes*, 258 U. S. 126; *Texas v. Interstate Commerce Commission*, 258 U. S. 158; *Massachusetts v. Mellon*, 262 U. S. 447; *New Jersey v. Sargent*, 269 U. S. 328, valuable legal rights asserted by the complainant and threatened with imminent invasion by appellees, will be directly affected to a specific and substantial degree by the decision of the question of law; and unlike *Luther v. Borden*, 7 How. 1; *Field v. Clark*, 143 U. S. 649; *Pacific States Telephone & Telegraph Co. v. Oregon*, 223 U. S. 118; *Keller v. Potomac Electric Power Co.*, 261 U. S. 428; *Federal Radio Commission v. General Electric Co.*, 281 U. S. 464, the question lends itself to judicial determination and is of the kind which this Court traditionally decides. The relief sought is a definitive adjudication of the disputed constitutional right of the appellant, in the circumstances alleged, to be free from the tax, see *Old Colony Trust Co. v. Commissioner*, 279 U. S. 716, 724; and that adjudication is not, as in *Gordon v. United States*, 2 Wall. 561, and *Postum Cereal Co. v. California Fig Nut Co.*, 272 U. S. 693, subject to revision by some other and more authoritative agency. Obviously the appellant, whose duty to pay the tax will be determined by the decision of this case, is not attempting to secure an abstract determination by the Court of the validity of a statute, compare *Muskrat v. United States*, *supra*, 361; *Texas v. Interstate Commerce Commission*, *supra*, 162; or a decision advising what the law would be on an uncertain or hypothetical state of

facts, as was thought to be the case in *Liberty Warehouse Co. v. Grannis*, 273 U. S. 70, and *Willing v. Chicago Auditorium Assn.*, 277 U. S. 274; see also *Warehouse Co. v. Tobacco Growers Assn.*, 276 U. S. 71, 88; compare *Arizona v. California*, 283 U. S. 423, 463."

The latest discussion as to what is a case or controversy is found in the opinion of the Court by Mr. Chief Justice Hughes in *Aetna Life Ins. Co. v. Haworth*, 300 U. S. 227, in which the constitutionality of the Federal Declaratory Judgment Act was sustained. Mr. Chief Justice Hughes said (p. 242):

"There is here a dispute between parties who face each other in an adversary proceeding. The dispute relates to legal rights and obligations arising from the contracts of insurance. The dispute is definite and concrete, not hypothetical or abstract. Prior to this suit, the parties had taken adverse positions with respect to their existing obligations. Their contentions concerned the disability benefits which were to be payable upon prescribed conditions. On the one side, the insured claimed that he had become totally and permanently disabled and hence was relieved of the obligation to continue the payment of premiums and was entitled to the stipulated disability benefits and to the continuance of the policies in force. The insured presented this claim formally, as required by the policies. It was a claim of a present, specific right. On the other side, the company made an equally definite claim that the alleged basic fact did not exist, that the insured was not totally and permanently disabled and had not been relieved of the duty to continue the payment of premiums, that in

consequence the policies had lapsed, and that the company was thus freed from its obligation either to pay disability benefits or to continue the insurance in force. Such a dispute is manifestly susceptible of judicial determination. It calls, not for an advisory opinion upon a hypothetical basis, but for an adjudication of present right upon established facts."

To this may be added the statement in the opinion of the Court by Mr. Justice Reed at the last term in *Stark v. Wickard*, 321 U. S. 288, at p. 310, that "under Article III, Congress established courts to adjudicate cases and controversies as to claims of infringement of individual rights, whether by unlawful action of private persons or by the assertion of unauthorized administrative power." It is a controversy of the type last mentioned that should be adjudicated in the cases at bar.

Before the intervention of the United States in the actions at bar, we submit that they were cases or controversies within the terms of the judiciary article of the Constitution. But if they were not, a controversy between the appellant and the United States is clearly presented after the intervention.

The effect of the Act of August 24, 1937, is to permit the United States to become a party to any suit or proceeding to which it is not a party, for presentation of evidence and argument upon the question of the constitutionality of any Act of Congress affecting the public interest. Counsel for the Government in the District Court for the Western District of Pennsylvania contended that "one way to defend the statute, and a method which is open to any litigant, is to point out a want of jurisdiction in the court." But of course this

is not a way to defend the *constitutionality* of the statute but a way to *prevent* a determination of the question as to its constitutionality. If there be no case or controversy within the meaning of the Constitution, the court will so hold on its own motion. The United States does not need to intervene in order that the question of justiciability may be determined. The United States, when it does intervene, becomes a party, suable like any other party claiming a benefit under an Act averred by the plaintiff to be unconstitutional. There is then a controversy between the plaintiff and the United States. *Cf. Cohens v. Virginia*, 6 Wheat. 264, 379-380.

When the United States has intervened, its situation is precisely parallel to that of a State intervening in a pending action between private parties, and the jurisdiction of the court is indubitable under the decision in *Clark v. Barnard*, 108 U. S. 436, in which this Court said by Mr. Justice Matthews (pp. 447-448):

"The first question for determination on this appeal is that of jurisdiction, raised first by the demurrer and afterwards by the answer of Clark, general treasurer of the State of Rhode Island, on the ground that the suit was in effect brought against a State by citizens of another State, contrary to the Eleventh Amendment to the Constitution of the United States.

"We are relieved, however, from its consideration by the voluntary appearance of the State in intervening as a claimant of the fund in court. The immunity from suit belonging to a State, which is respected and protected by the Constitution within the limits of the judicial power of the United States, is a personal privilege which it may waive at

pleasure; so that in a suit, otherwise well brought, in which a State had sufficient interest to entitle it to become a party defendant, its appearance in a court of the United States would be a voluntary submission to its jurisdiction; while, of course, those courts are always open to it as a suitor in controversies between it and citizens of other States. In the present case the State of Rhode Island appeared in the cause and presented and prosecuted a claim to the fund in controversy, and thereby made itself a party to the litigation to the full extent required for its complete determination. It became an actor as well as defendant, as by its intervention the proceeding became one in the nature of an interpleader, in which it became necessary to adjudicate the adverse rights of the State and the appellees to the fund, to which both claimed title. The case differs from that of *Georgia v. Jesup*, 106 U.S. 458, where the State expressly declined to become a party to the suit, and appeared only to protest against the exercise of jurisdiction by the court."

See also *Gunter v. Atlantic Coast Line R. R. Co.*, 200 U.S. 273, by Mr. Justice White, at p. 284.

The United States here, while becoming a party to the suit, contends that it appeared only to protest against the exercise of jurisdiction; but this contention is not well founded in view of the fact that the only purpose for which it was, or could be, permitted to intervene under the Act of 1937 was the "presentation of evidence * * * and argument upon the question of the constitutionality" of the Act of Congress drawn in question in the suit.

The cases at bar are entirely different from *Muskrať v. United States*, 219 U. S. 346, upon which the counsel for the Government relied in his argument in the court below. Here the interest of the United States is adverse to that of the appellant. It is asserting a property right as against him. In the *Muskrať* case, on the other hand, as the Court said in its opinion by Mr. Justice Day (pp. 361-362) :

"It is true the United States is made a defendant to this action, but it has no interest adverse to the claimants. The object is not to assert a property right as against the Government, or to demand compensation for alleged wrongs because of action upon its part. The whole purpose of the law is to determine the constitutional validity of this class of legislation, in a suit not arising between parties concerning a property right necessarily involved in the decision in question, but in a proceeding against the Government in its sovereign capacity, and concerning which the only judgment required is to settle the doubtful character of the legislation in question. Such judgment will not conclude private parties, when actual litigation brings to the court the question of the constitutionality of such legislation. In a legal sense the judgment could not be executed; and amounts in fact to no more than an expression of opinion upon the validity of the acts in question."

In *Old Colony Trust Co. v. Commissioner of Internal Revenue*, 279 U. S. 716, the Court said in an opinion by Mr. Chief Justice Taft dealing with the justiciability of a controversy between the United States or the Commissioner of Internal Revenue and a private party (pp. 723-725) :

"It is not necessary that the proceeding to be judicial should be one entirely *de novo*; it is enough that, before the judgment which must be final has been invoked as an exercise of judicial power, it shall have certain necessary features. What these are has been often declared by this Court. Perhaps the most comprehensive definitions of them are set forth in *Muskrat v. United States*, 219 U. S. 346, 356, where this Court entered into the inquiry what was the exercise of judicial power as conferred by the Constitution. There was cited there a definition by Mr. Justice Field, in *Re Pacific Railway Commission*, 32 Fed. 241, 255, which has been generally accepted as accurate. He said:

"The judicial article of the Constitution mentions cases and controversies. The term "controversies," if distinguishable at all from "cases," is so in that it is less comprehensive than the latter; and includes only suits of a civil nature. *Chisholm v. Georgia*, 2 Dall. 431, 432; 1 Tuck. Bl. Comm. App. 420, 421. By cases and controversies are intended the claims of litigants brought before the courts for determination by such regular proceedings as are established by law or custom for the protection or enforcement of rights, or the prevention, redress, or punishment of wrongs. Whenever the claim of a party under the Constitution, laws or treaties of the United States takes such a form that the judicial power is capable of acting upon it, then it has become a case. The term implies the existence of present or possible adverse parties whose contentions are submitted to the court for adjudication."

"In *Osborn v. United States Bank*, 9 Wheat.

738, Chief Justice Marshall construed Article III of the Constitution as follows (p. 819):

"This clause enables the judicial department to receive/jurisdiction to the full extent of the constitution, laws and treaties of the United States, when any question respecting them shall assume such a form that the judicial power is capable of acting on it. That power is capable of acting only when the subject is submitted to it, by a party who asserts his rights in the form prescribed by law. It then becomes a case, and the constitution declares, that the judicial power shall extend to all cases arising under the constitution, laws and treaties of the United States."

"The Circuit Court of Appeals is a constitutional court under the definition of such courts as given in the *Bakelite* case, *supra*, and a case or controversy may come before it, provided it involves neither advisory nor executive action by it."

"In the case we have here, there are adverse parties. The United States or its authorized official asserts its right to the payment by a taxpayer of a tax due from him to the Government, and the taxpayer is resisting that payment or is seeking to recover what he has already paid as taxes when by law they were not properly due. That makes a case or controversy, and the proper disposition of it is the exercise of judicial power. The courts are either the Circuit Court of Appeals or the District of Columbia Court of Appeals. The subject matter of the controversy is the amount of the tax claimed to be due or refundable and its validity, and the judgment to be rendered is a judicial judgment."

May we not say with equal propriety that judgments to be rendered in the cases at bar are judicial judgments if they determine between the appellant and the United States a controversy as to the right of the latter to take the appellant's property?

Some point was made by the court for the District of New Jersey (No. 71, R. 68) that even if the complaint could be regarded as presenting a case or controversy, it must be dismissed for want of equity, and a contention to a like effect was made by the counsel for the Government in his brief in the case in the Western District of Pennsylvania. But as we have pointed out, it is not the purpose of the Act of August 24, 1937, to permit the United States to intervene to object to the jurisdiction of the court, and we submit that the Attorney General should argue the question of the constitutionality of the Act of Congress drawn in question, and nothing more. If the United States did not wish to have the question of the constitutionality of the Act determined, it should not have become a party. The Act of 1937 removes any obstacles to the determination of that question, and it matters not whether the case is one within the equity jurisdiction. As a matter of supererogation we may add that the Rules of Civil Procedure for the District Courts provide one form of civil action and procedure for both cases in equity and actions at law. If there be a case or controversy, the objection of lack of equity in the complaint is out of date; and in view of the limitations put upon the Attorney General by the Act of 1937 the objection could be made only by the defendants and not by the Government. Neither of the defendants has raised the objection in the cases at bar, and they must be taken to have waived it. *Hollins v. Brierfield Coal &*

Iron Co., 150 U. S. 371, 380-381; *Buffum v. Barceloux Co.*, 289 U. S. 227, 235-236.

But if it were necessary to show that the cases are within the equity jurisdiction of the court, it would be easy to do so. The original action to which the case at No. 71 is ancillary and the action in case No. 485 are both in the nature of bills for accounting by reason of complicated accounts. See also the affidavit of John Allen Aporta, an employee of the accountants appointed by Judge Smith in the New Jersey District, attached to the complaint in the Western District of Pennsylvania (No. 485, R. 13), in which he says that "defendants did not keep full, accurate and complete books of account respecting the manufacture and sale of Coffman starters, parts therefor, and cartridges," as the agreement provided (R. 14). Instances of the exercise of equity jurisdiction in similar cases to compel an accounting in order to enforce a contract right are *Kirby v. Lake Shore, etc. R. R.*, 120 U. S. 130; *Kilbourn v. Sunderland*, 130 U. S. 505, 514-515; *United States v. Old Settlers*, 148 U. S. 427, 465; *McMullen Lumber Co. v. Strother*, 136 Fed. 295 (C.C.A., 8th Circ.). They are illustrations of the general principle, frequently laid down by this Court, that it is not enough to defeat the equity jurisdiction that there is a remedy at law, but that that remedy must be "as practical and efficient to the ends of justice and its prompt administration, as the remedy in equity": *Boyce's Executors v. Grundy*, 3 Pet. 210, by Mr. Justice Johnson, at p. 215; *Kilbourn v. Sunderland*, 130 U. S., *supra*, at pp. 514-515; *Gormley v. Clark*, 134 U. S. 338, at p. 349; *Tyler v. Savage*, 143 U. S. 79, at p. 95; *Davis v. Wakelee*, 156 U. S. 680, at p. 688; *Walla Walla City v. Walla Walla Water Co.*, 172 U. S. 1, at p. 12; *Union Pacific R. R. Co. v. Board of County Commis-*

sioners of the County of Weld, 247 U. S. 282, at pp. 285-286; *Wilson v. Illinois Southern Ry. Co.*, 263 U. S. 574, at p. 577.

While the question as to the constitutionality of the Royalty Adjustment Act could undoubtedly be determined at a distant future date in an action at law, that is no reason for holding that that question should not be passed on now, since it may be more speedily and efficiently decided in the pending equity actions as a step necessary for a court of equity to take in order to grant complete relief. As Mr. Justice Pitney said, delivering the opinion of the Court in *Greene v. Louisville & Interurban R. R. Co.*, 244 U. S. 499, at p. 520:

"It is a familiar maxim that 'a court of equity ought to do justice completely, and not by halves;' and to this end, having properly acquired jurisdiction of a cause for any purpose, it should dispose of the entire controversy and its incidents, and not remit any part of it to a court of law."

See also *Clarke v. White*, 12 Pet. 178, 188; *Kennedy v. Creswell*, 101 U. S. 641, 646; *Camp v. Boyd*, 229 U. S. 530, 551-552; *McGowan v. Parish*, 237 U. S. 285, 296; *Alexander v. Hillman*, 296 U. S. 222, 242.

The importance of expediting the decision of the question as to the constitutionality of an act of Congress affecting the public interest is recognized in the provisions of Section 3 of the Act under which the United States intervened, the Act of August 24, 1937, c. 754, 50 Stat. 752, USCA § 380 (a). That section provides that the hearing upon any application for an "injunction suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress upon the ground that such Act or any

part thereof is repugnant to the Constitution of the United States * * * shall be given precedence and shall be in every way expedited and be assigned for a hearing at the earliest practicable day." It provides that an appeal may be taken directly to this Court after the entry of a judgment either granting or denying the injunction, and that the appeal shall be heard by this Court at the earliest possible time and shall take precedence over all other matters not of a like character.

All the parties in interest in the controversy involving the constitutionality of the Royalty Adjustment Act being now before this Court, we submit that it should determine the question as to the constitutionality of that Act upon the present appeals.

Point II.

The Act of October 31, 1942, c. 634, and the War and Navy Department Orders Involved in This Case Contravene the Fifth Amendment to the Constitution.

The Government, in the court below, argued that "the Royalty Adjustment Act is sustainable both as an exercise of the sovereign power of eminent domain, and as a proper and reasonable exercise of the war and patent powers."

The United States is a government of limited powers. The power of eminent domain may be exercised only when it is necessary and proper to carry into execution one of the powers vested by the Constitution in the Government of the United States. It is a power given to Congress by Art. I. Sec. 8, cl. 18. It is an incidental, not an independent, power. The contention of

the Government, therefore, is reduced to the proposition that the Act is sustainable as an exercise of the war and patent powers.

It is obvious that the taking of the appellant's property cannot be justified under the patent power. That is a power "To promote the Progress of Science and useful Arts, by securing for limited Times to

* * * Inventors the exclusive Right to their respective * * * Discoveries" (Constitution, Art. I, Sec. 8,

cl. 8). Clearly the effect of the Royalty Adjustment

Act is not to secure to an inventor the exclusive right to

his discovery. Its effect is to render that right insecure.

The contention of the Government, therefore, is

reduced to the proposition that the Act is sustainable

as an exercise of the war power.

The war power is subject to the restrictions of the Fifth Amendment to the Constitution. There has been

no doubt about the applicability of these restrictions to

the exercise of the war power since the decision in *Ex*

parte Milligan, 4 Wall. 2, where the Court, referring to

the Fourth, Fifth and Sixth Amendments, said by Mr.

Justice Davis (pp. 120-121):

"The Constitution of the United States is a law for

rulers and people, equally in war and in peace, and

covers with the shield of its protection all classes

of men, at all times, and under all circumstances.

No doctrine, involving more pernicious conse-

quences, was ever invented by the wit of man than

that any of its provisions can be suspended during

any of the great exigencies of government. Such

a doctrine leads directly to anarchy or despotism,

but the theory of necessity on which it is based is

false; for the government, within the Constitution,

has all the powers granted to it, which are necessary to preserve its existence; as has been happily proved by the result of the great effort to throw off its just authority."

See also *United States v. Russell*, 13 Wall. 623, by Mr. Justice Clifford, at pp. 627-628; *United States v. Lee*, 106 U. S. 196, by Mr. Justice Miller, at p. 218; *Hamilton v. Kentucky Distilleries Co.*, 251 U. S. 146, by Mr. Justice Brandeis, at p. 155; *United States v. Cohen Grocery Co.*, 255 U. S. 81, by Mr. Chief Justice White, at pp. 88-89; *United States v. New River Collieries Co.*, 262 U. S. 341, by Mr. Justice Butler, at p. 343; *Highland v. Russell Car, etc., Co.*, 279 U. S. 253, by Mr. Justice Butler, at pp. 261-262; *Home Building & Loan Ass'n v. Blaisdell*, 290 U. S. 398, by Mr. Chief Justice Hughes, at p. 426; concurring opinion of Mr. Justice Murphy in *Hirabayashi v. United States*, 320 U. S. 81, at p. 110.

But if there is another power than the war power under which an attempt may be made to justify the Royalty Adjustment Act, the Act must nevertheless meet the requirements of the Fifth Amendment. All the powers of Congress are subject to its restrictions. *Monongahela Navigation Co. v. United States*, 148 U. S. 312, by Mr. Justice Brewer, at p. 336; *United States v. Lynah*, 188 U. S. 445, by the same learned judge, at p. 465; *United States v. Cress*, 243 U. S. 316, by Mr. Justice Pitney, at p. 320.

We submit that the Fifth Amendment invalidates the Royalty Adjustment Act and the orders of the War and Navy Departments made thereunder, because (a) they deprive the appellant of property without due process of law and (b) they take private property without just compensation.

(A) THE ROYALTY ADJUSTMENT ACT AND THE
ORDERS MADE THEREUNDER DEPRIVE THE
APPELLANT OF PROPERTY WITHOUT DUE
PROCESS OF LAW.

The rights of a patentee are property. The fact that they are derived from an act of the Government does not deprive them of any of the protection from further acts of the Government to which any other property is entitled. The right to exclude others from the use of an invention under a patent from the United States is a right of the same kind as a right to exclude others from the use of land held under a patent from a State. The law has been settled to this effect for more than six decades. Mr. Justice Bradley, delivering the opinion of the Court in *James v. Campbell*, 104 U. S. 356, said (pp. 357-358):

"That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt. The Constitution gives to Congress power 'to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries,' which could not be effected if the government had a reserved right to publish such writings or to use such inventions without the consent of the owner. Many inventions relate to subjects which can only be

properly used by the government, such as explosive shells, rams, and submarine batteries to be attached to armed vessels. If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments. It has been the general practice, when inventions have been made which are desirable for government use, either for the government to purchase them from the inventors, and use them as secrets of the proper department; or, if a patent is granted, to pay the patentee a fair compensation for their use. The United States has no such prerogative as that which is claimed by the sovereigns of England, by which it can reserve to itself, either expressly or by implication, a superior dominion and use in that which it grants by letters-patent to those who entitle themselves to such grants. The government of the United States, as well as the citizen, is subject to the Constitution; and when it grants a patent the grantee is entitled to it as a matter of right, and does not receive it, as was originally supposed to be the case in England, as a matter of grace and favor."

See also *United States v. Palmer*, 128 U. S. 262, by the same learned judge, at p. 271; *Solomons v. United States*, 137 U. S. 342, by Mr. Justice Brewer, at p. 346; *Gill v. United States*, 160 U. S. 426, by Mr. Justice Brown, at p. 435; *McCormick Harvesting Machine Co. v. Aultman*, 169 U. S. 606, by the same learned judge, at pp. 608-609; *United States v. Dubilier Condenser Corp.*, 289 U. S. 178, by Mr. Justice Roberts, at p. 187.

The appellant granted an exclusive license under his patent in 1932 to the appellee Federal Laboratories.

Inc., and in consideration thereof received the promise of the licensee to pay him a royalty equal to 6% of the licensee's net selling price on devices made for consumption of starters, parts therefor and shells (No. 71, R. 11; No. 485, R. 17).

By the Navy Department and War Department orders (No. 71, R. 46, 42; No. 485, R. 43, 39), the licensee was authorized to pay to the appellant on account of starters sold to or for either Department only \$8 each, and upon parts and cartridges so sold, no royalties, and not at the most to exceed \$50,000 in each calendar year commencing with 1943 in respect to starters sold for or to the two Departments. The licensee was directed to pay over to the Treasurer of the United States the balance of all royalties specified in the contract.

It is obvious that a contract right of the appellant was taken by the orders of the Navy Department and War Department. By the license agreement the licensee had a contract right to the exclusive use of the invention and the licensor had a contract right to receive the royalties specified, the greater part of which, under the orders, are to be received by the United States and not by the appellant.

Contract rights are property protected by the Fifth Amendment. This Court said in *Lynch v. United States*, 292 U. S. 571, by Mr. Justice Brandeis (p. 579):

"Valid contracts are property, whether the obligor be a private individual, a municipality, a State or the United States. Rights against the United States arising out of a contract with it are protected by the Fifth Amendment."

See also *Long Island Water Supply Co. v Brooklyn*, 166 U. S. 685, by Mr. Justice Brewer, at p. 690; *Brooks-*

Scanlon Corp. v. United States, 265 U. S. 106, by Mr. Justice Butler; *Russian Volunteer Fleet v. United States*, 282 U. S. 481, by Mr. Chief Justice Hughes.

Can the taking of the contract right of the appellant to receive royalties specified in the license agreement be justified as an exercise of the power of eminent domain?

That power is defined by a learned writer on the subject as follows:

"Eminent domain is the right or power of a sovereign State to appropriate private property to particular uses, for the purpose of promoting the general welfare. It embraces all cases where, by the authority of the State and for the public good, the property of the individual is taken without his consent, for the purpose of being devoted to some particular use, either by the State itself or by a corporation, public or private, or, a private citizen." (*Lewis, Eminent Domain*, 3d ed., § 1.)

The right of the appellant to receive royalties specified in the agreement is taken by the War Department and Navy Department orders not "for the purpose of being devoted to some particular use" but only for the purpose of improving the financial condition of the United States. The orders call for the payment to the Treasurer of the United States of all royalties in excess of \$50,000 in each calendar year in respect of starters sold for or to the two Departments.

We submit that money or the right to receive money is not such property as may be lawfully taken by eminent domain. One of the greatest American jurists notes the distinction for this purpose between money

and property which is to be used by the Government in kind:

"Every species of property which the public needs may require and which government cannot lawfully appropriate under any other right, is subject to be seized and appropriated under the right of eminent domain. Lands for the public ways; timber, stone, and gravel with which to make or improve the public ways; buildings standing in the way of contemplated improvements, or which for any other reason it becomes necessary to take, remove, or destroy for the public good; streams of water; corporate franchises; and generally, it may be said, legal and equitable rights of every description are liable to be thus appropriated. From this statement, however, must be excepted money; or that which in ordinary use passes as such, and which the government may reach by taxation, and also rights in action, which can only be available when made to produce money; neither of which can it be needful to take under this power." (*Cooley's Constitutional Limitations*, 8th ed., vol. 2, 1113.)

See also the footnote to this paragraph (p. 1118), which reads in part as follows:

"Property of individuals cannot be appropriated by the State under this power for the mere purpose of adding to the revenues of the State. Thus it has been held in Ohio, that in appropriating the water of streams for the purposes of a canal, more could not be taken than was needed for that object, with a view to raising a revenue by selling or leasing it. . . .

"Taking money under the right of eminent domain, when it must be compensated in money after-

wards, could be nothing more or less than a forced loan, only to be justified as a last resort in a time of extreme peril, where neither the credit of the government nor the power of taxation could be made available. It is impossible to lay down rules for such a case, except such as the law of overruling necessity, which for the time being sets aside all the rules and protections of private right, shall then prescribe."

It will hardly be contended by the Government in this case that the taking of the money due to the appellant is "justified as a last resort in a time of extreme peril, where neither the credit of the government nor the power of taxation could be made available."

A careful study of all the cases on eminent domain disclosed by our research indicates that the taking of the appellant's right to receive money has no precedent in our history. A chronological review of the opinions in which the matter has been discussed may be not without interest.

In *Buckingham v. Smith*, 10 Ohio 288 (1840), where canal commissioners had constructed a feeder to a canal, to be used for the purpose of taking more water out of a river than was required for canal navigation, the court said by Woodward, J. (pp. 296-297):

"The State, notwithstanding the sovereignty of her character, can take only sufficient water, from *private streams*, for the purposes of the canal. So far the law authorizes the commissioners to invade private right, as to take what may be necessary for canal navigation, and to this extent, authority is conferred by the constitution, provided, a compensation be paid in money to the owner. The prin-

ciple is founded on the superior claims of a whole community, over an individual citizen; but then, in those cases, only, where private property is wanted for *public use*, or demanded by the *public welfare*. We know of no instances in which it has, or can be taken, even by State authority, for the mere purpose of raising a revenue by resale, or otherwise; and the exercise of such a power would be utterly destructive of individual right, and break down all the distinctions between *meum et tuum*, and annihilate them forever, at the pleasure of the State."

In *People v. Mayor, &c. of Brooklyn*, 4 N. Y. 419 (1851), the court laid down what has since been regarded as a classic statement of the distinction between taxation and the exercise of eminent domain, saying by Ruggles, J. (pp. 424-425):

"Taxation exacts money, or services, from individuals, as and for their respective shares of contribution to any public burthen.

"Private property taken for public use by right of eminent domain, is taken not as the owner's share of contribution to a public burthen, but as so much beyond his share.

"Special compensation is therefore to be made in the latter case, because the government is a debtor for the property so taken; but not in the former, because the payment of taxes is a duty and creates no obligation to repay, otherwise than in the proper application of the tax.

"Taxation operates upon a community or upon a class of persons in a community and by some rule of apportionment.

"The exercise of the right of eminent domain operates upon an individual, and without reference

to the amount, or value exacted from any other individual, or class of individuals.

"Keeping these distinctions in mind, it will never be difficult to determine which of the two powers is exerted in any given case.

"It may be proper here although not strictly necessary, to express the opinion that money can not be exacted by the government by right of eminent domain, excepting, perhaps, for the direct use of the state at large, and when the state at large is to make the compensation.

"The exigencies of a state government can seldom require the taking of money by virtue of this power even in time of war, and never in time of peace. The framers of the constitution could not have intended to delegate to municipal corporations the right of taking money under this power, because it is entirely unnecessary. Money can always be had by taxation; lands can not; and therefore lands may be taken by right of eminent domain, but money may not. The 7th section of article 1 of the constitution, confirms this construction of the power. It directs the compensation for private property so taken, to be ascertained by a jury, or by commissioners. This is an appropriate mode when lands or goods are taken, because their value is uncertain; but not when money is taken, because its value is already fixed.

"The validity of the assessment in question, therefore, can not be maintained as an exercise of the power of eminent domain; and it can not be maintained at all unless it be a legitimate mode of taxation."

This case was cited with approval in the opinion of this Court by Mr. Chief Justice Hughes in *Houck v. Little River Drainage District*, 239 U. S. 254, at p. 265.

In *Burnett v. Mayor, etc., of the City of Sacramento*, 12 Cal. 76 (1859), the court said by Mr. Justice Field (p. 83):

"Money is not that species of property which the sovereign authority can authorize to be taken in the exercise of its right of eminent domain. That right can be exercised only with reference to other property than money, for the property taken is to be the subject of compensation in money itself, and the general doctrine of the authorities of the present day is, that the compensation must be either made, or a fund provided for it in advance.

"The assessment, therefore, must rest for its validity upon its being a legitimate exercise of the taxing power."

In *Emery v. San Francisco Gas Co.*, 28 Cal. 345 (1865), the court said by Sawyer, J. (p. 350):

"In a certain sense money is property. But it might just as well be said, that money taken by general taxation for the ordinary purposes of State revenue is property within the meaning of the Constitution, and cannot be taken without compensation. The theory of all taxation is, doubtless, in a general sense, that there is compensation for the taxes taken in the protection and security to life, liberty and property afforded by the Government supported by the money raised. But this, manifestly, is not the compensation to be made for property taken for public use, within the meaning of the terms as used in the section of the Constitution

cited. The property referred to in the Constitution for which special compensation must be made, is something other than money, as where land is taken to be used as a street, and the like, and the compensation referred to, doubtless, means a compensation in money, the only medium by which special compensation can be accurately measured and adjusted; and to make such compensation in the case of assessments to raise money for the purpose of paying for grading streets, would be to take the money from the property holder with one hand and return it with the other; and this would leave nothing for the purposes required."

In *Hammett v. Philadelphia*, 65 Pa. 146 (1870), Sharswood, J., after referring to the opinion of Mr. Justice Field that the right of eminent domain can be exercised only with reference to other property than money, said (pp. 152-153):

"I am not able, and do not feel disposed to enter the lists upon such a question, but it does seem to me that there may be occasions in which money may be taken by the state in the exercise of its transcendental right of eminent domain. Such would be the case of a pressing and immediate necessity, as in the event of invasion by a public enemy, or some great calamity, as famine or pestilence, contributions could be levied on banks, corporations or individuals. The obligation of compensation is not immediate. It is required only that provision should be made for compensation in the future. Judge Ruggles confines the right to exact money by virtue of the eminent domain, to the case where it is for the use of the state at large in time of war: The people *ex. rel.* Griffin v. Brooklyn, 4 Comst. 419. I

cannot see that there is any such necessary limitation. The public necessity which gives rise to it, prevents its being restrained by any limitations as to either subject or occasion. In truth it matters not whether an assessment upon an individual or a class of individuals for a general, and not a mere local purpose, be regarded as an act of confiscation—a judicial sentence or rescript, or a taking of private property for public use without compensation—in any aspect, it transcends the power of the legislature, and is void. I regard it as a forced contribution. If the sovereign breaks open the strong-box of an individual or corporation and takes out money, or, if not being paid on demand, he seizes and sells the lands or goods of the subject, it looks to me very much like a direct taking of private property for public use. It certainly cannot after the case to call it taxation.”

In *Cary Library v. Bliss*, 151 Mass. 364 (1890), the court, holding that it was unconstitutional to take \$1,500 deposited in a savings bank and two promissory notes of a town amounting to \$11,000 under the right of eminent domain, said by Knowlton, J. (p. 379):

“There may be a great public exigency, as in time of war, which will authorize the government to take money in the exercise of this right. *Mitchell v. Harmony*, 13 How. 115, 128. *Williams v. Wilkerman*, 44 Misso. 484. *Yost v. Stout*, 4 Cold. 205. But it cannot truly be said that the taking of money by a private corporation, created to administer a public charity, is a taking of property for public use. The money taken must be paid for in money. It cannot be taken unless it is paid for in advance, or sufficient provision is made for immediate pay-

ment, which provision must be in money or in that which is deemed its equivalent. There can be no necessity for such a taking. "In its nature it is not a taking for public use. There can be a taking for a public use under this power only when, in the nature of the case, there is, or may be, a public necessity for the taking."

The three cases cited in the Massachusetts court's opinion as possibly authorizing the Government to take money in time of war all dealt with property other than money. They are illustrations of the principle expressed by Chief Justice Taney in delivering the opinion of the Court in one of them, *Mitchell v. Harmony*, 13 How. 115, at p. 134:

"There are, without doubt, occasions in which private property may lawfully be taken possession of or destroyed to prevent it from falling into the hands of the public enemy; and also where a military officer, charged with a particular duty, may impress private property into the public service or take it for public use. Unquestionably, in such cases, the government is bound to make full compensation to the owner; but the officer is not a trespasser.

"But we are clearly of opinion, that in all of these cases the danger must be immediate and impending; or the necessity urgent for the public service, such as will not admit of delay, and where the action of the civil authority would be too late in providing the means which the occasion calls for. It is impossible to define the particular circumstances of danger or necessity in which this power may be lawfully exercised. Every case must depend on its own circumstances. It is the emergency that gives

the right, and the emergency must be shown to exist before the taking can be justified."

We respectfully submit that the emergency under which the taking of money, or of the right to receive money, by eminent domain can be justified does not exist under the circumstances of the case at bar. We are not dealing with a case where, to use Judge Cooley's phrase, the right of eminent domain could be exercised to compel "a forced loan, only to be justified as a last resort in time of extreme peril, where neither the credit of the government nor the power of taxation could be made available." We are not dealing with a situation where, to use Chief Justice Taney's phrase, "a military officer, charged with a particular duty, may impress private property into the public service or take it for public use." The money is not "taken possession of * * * to prevent it from falling into the hands of the public enemy." No invasion of New Jersey or Pennsylvania has occurred. The Congress has power to lay and collect taxes to provide for the common defense, to borrow money on the credit of the United States, and to coin money and regulate the value thereof. It is by the exercise of these powers, not by the exercise of the power of eminent domain, that money is to be obtained by Congress in all normal circumstances, even in time of war. We may lay to one side the question as to what taking of money may be justified in the course of military operations.

To sum up: Property which is needed for public use may be taken in kind by the exercise of the power of eminent domain, and in no other way. Money, or the right to receive money, which is needed not for use, but for revenue, may be taken by the exercise of the power

of taxation, and in no other way. A taking of one man's money by the power of eminent domain deprives him of property without due process of law, just as a taking of another man's property not for use, but to produce revenue by selling it, would deprive him of property without due process of law. We submit, therefore, that the taking of the appellant's right to receive money in excess of \$50,000 in a calendar year, if it can be justified at all, can be justified only as a tax.

"Taxes are defined to be burdens or charges imposed by the legislative power upon persons or property, to raise money for public purposes." (*Cooley's Constitutional Limitations*, 8th ed., vol. 2, 986.)

"The revenues of a State are a portion that each subject gives of his property in order to secure, or to have, the agreeable enjoyment of the remainder." (*Montesquieu, Spirit of the Laws*, bk. 12, c. 30.)

Is the exaction from the appellant justifiable as a tax? We submit that it is not, but that it is so arbitrary and capricious as to amount to confiscation and to deprive the appellant of property without due process of law.

This Court said by Mr. Justice Harlan in *Henderson Bridge Co. v. Henderson City*, 173 U. S. 592, at p. 614:

"It is conceivable that taxation may be of such a nature and so burdensome as properly to be characterized a taking of private property for public use without just compensation."

What is conceivable in one generation is likely to occur in the next, and in recent years the Court has

held invalid under the due process clause a number of taxes imposed by Congress as being so arbitrary and capricious as to amount to confiscation. *Nichols v. Coolidge*, 274 U. S. 531; *Blodgett v. Holden*, 275 U. S. 142; *Untermeyer v. Anderson*, 276 U. S. 440; *Heiner v. Donnan*, 285 U. S. 312. See also *Chicago, etc., R. R. Co. v. Chicago*, 166 U. S. 226, 241; *Barclay & Co. v. Edwards*, 267 U. S. 442, 450; *Helvering v. City Bank Farmers Trust Co.*, 296 U. S. 85, 92; and cf. *Hoeper v. Tax Commission of Wisconsin*, 284 U. S. 206. As Mr. Justice Roberts said in *Helvering v. City Bank Farmers Trust Co.*, *ubi supra*:

"There are, however, limits to the power of Congress to create a fictitious status under the guise of supposed necessity. Thus it has been held that an act creating a conclusive presumption that a gift made within two years prior to death was made by the donor in contemplation of death, and requiring the value of the gift to be included in computing the estate of the decedent subject to transfer tax, is so grossly unreasonable as to violate the due process clause of the Fifth Amendment. In the same category falls a statute seeking to tax the separate income of a wife as income of her husband."

If an act creating a conclusive presumption that a gift made within two years prior to death was made in contemplation of death and a statute seeking to tax the separate income of a wife as income of her husband are so grossly unreasonable as to violate the due process clause, what shall be said of the exaction made in the case at bar? It is a tax not upon the receipts of all persons in excess of \$50,000 in a year, nor upon receipts

of royalties from inventions manufactured, used, sold or otherwise disposed of for the United States in excess of \$50,000 a year, but a tax upon a particular inventor in whose case, in the opinion of the head of a department of the Government, that amount is determined to be fair and just, taking into account the conditions of war-time production, though a contract made many years before entitles him to much in excess of that amount. This contract is assumed to be valid and the excess over \$50,000 is to be paid over to the Treasurer of the United States: Could a more arbitrary and capricious tax be devised? It is true that a limited right to judicial relief from the determination of the taxing authority is accorded to the taxpayer. Of the inadequacy of this relief we shall have something to say in the succeeding subdivision of this argument. But no matter what relief may be obtained, we maintain that the selection of the subject of taxation is so arbitrary and capricious that the purpose of confiscation of his contract right is obvious. Congress may, short of arbitrariness, classify persons and things for the purpose of taxation, but here the classification has run wild.

It might be supposed that one whose invention is contributing to the winning of the war would be a favorite of the taxing power. There have doubtless been times when a subsidy would be given to such a man by the sovereign. A great statesman who was at the same time a great inventor, Benjamin Franklin, is reported to have said, "History teaches us that republics are ungrateful." When ingratitude has reached the stage of confiscation, it is time for the judicial power to interfere with the legislative and the executive; and we submit that a case for such interference is here presented.

Otherwise, we see no possible bar to the selection of any class or person in the community and the imposition of a confiscatory tax upon them or him in relief of the tax burdens of the community as a whole.

(B) THE ROYALTY ADJUSTMENT ACT AND THE
ORDERS MADE THEREUNDER TAKE PRIVATE
PROPERTY WITHOUT JUST COMPENSATION.

If the taking of the appellant's contract right to receive royalties were an exercise of the right of eminent domain, nevertheless the Royalty Adjustment Act and the orders of the War and Navy Departments would be invalid because the right is taken without just compensation. The whole purpose of the statute is to substitute for the royalties to which the appellant is entitled by contract such royalties as the head of the department or agency of the Government concerned "shall determine are fair and just, taking into account the conditions of wartime production." When an order is made by the head of a department fixing and specifying a royalty, the licensee shall not pay to the licensor "a royalty, if any, in excess of that specified in said order." While under Section 2 of the Act suit may be instituted against the United States, the suit must be "to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production." And the statute continues: "In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant

in an action for infringement as set forth in this title, or otherwise." In short, the statute is designed, and if valid is effective, to reduce the royalties to which the appellant is entitled under his contract. But the authorities, as we shall show, provide that the just compensation for the taking of a contract right required by the Fifth Amendment is the market value of the right, the sum which could probably have been obtained for an assignment of the right by an owner willing to sell it from a purchaser willing to buy it. The right to receive money is normally worth the amount of money to be received under it; and the Royalty Adjustment Act, providing for the payment of a less amount, fails completely to satisfy the requirement of the Fifth Amendment.

The principle upon which we rely was laid down by this Court as long ago as 1878, when, in *Boom Co. v. Patterson*, 98 U. S. 403, the Court said by Mr. Justice Field (pp. 407-408) :

"In determining the value of land appropriated for public purposes, the same considerations are to be regarded as in a sale of property between private parties. The inquiry in such cases must be what is the property worth in the market, viewed not merely with reference to the uses to which it is at the time applied, but with reference to the uses to which it is plainly adapted; that is, to say, what is it worth from its availability for valuable uses."

The leading case under the just compensation clause is doubtless *Monongahela Navigation Co. v. United States*, 148 U. S. 312. An Act of Congress authorized the Secretary of War to institute proceedings for the condemnation of a lock and dam of the appellant. The

Court found that the value of the lock and dam was \$209,000, not considering the franchise of the appellant to collect tolls, and decreed that that sum be paid for the property condemned. On appeal this Court held that just compensation required payment for the franchise to take tolls as well as for the value of the tangible property and that the assertion by Congress of its purpose to take the property did not destroy the State franchise, and remanded the case for a new trial. Mr. Justice Brewer, delivering the opinion of the Court, said (pp. 325-326) :

"The language used in the Fifth Amendment in respect to this matter is happily chosen. The entire amendment is a series of negations, denials of right or power in the government, the last, the one in point here, being, 'Nor shall private property be taken for public use without just compensation.' The noun 'compensation,' standing by itself, carries the idea of an equivalent. Thus we speak of damages by way of compensation, or compensatory damages, as distinguished from punitive or exemplary damages, the former being the equivalent for the injury done, and the latter imposed by way of punishment. So that if the adjective 'just' had been omitted, and the provision was simply that property should not be taken without compensation, the natural import of the language would be that the compensation should be the equivalent of the property. And this is made emphatic by the adjective 'just.' There can, in view of the combination of those two words, be no doubt that the compensation must be a full and perfect equivalent for the property taken."

And again (p. 327) :

"By this legislation, Congress seems to have assumed the right to determine what shall be the measure of compensation. But this is a judicial and not a legislative question. The legislature may determine what private property is needed for public purposes—that is a question of a political and legislative character; but when the taking has been ordered, then the question of compensation is judicial. It does not rest with the public, taking the property, through Congress or the legislature, its representative, to say what compensation shall be paid, or even what shall be the rule of compensation. The Constitution has declared that just compensation shall be paid, and the ascertainment of that is a judicial inquiry. In *Charles River Bridge v. Warren Bridge*, 11 Pet. 420, 571, Mr. Justice McLean, in his opinion, referring to a provision for compensation found in the charter of the Warren bridge, uses this language: 'They (the legislature) provide that the new company shall pay annually to the college, in behalf of the old one, one hundred pounds. By this provision, it appears that the legislature has undertaken to do what a jury of the country only could constitutionally do: assess the amount of compensation to which the complainants are entitled.' "

The language of the Court with reference to the right to take tolls is peculiarly applicable to the case at bar in view of the fact that the orders here in question give to the Treasurer of the United States the full amount of the excess of the contract royalties over the amount which the licensee is authorized to pay to the appellant. It is as follows (pp. 337-338) :

"And here it may be noticed that, after taking this property, the government will have the right to exact the same tolls the Navigation Company has been receiving. It would seem strange that if by asserting its right to take the property, the government could strip it largely of its value, destroying all that value which comes from the receipt of tolls, and, having taken the property at this reduced valuation, immediately possess and enjoy all the profits from the collection of the same tolls. In other words, by the contention this element of value exists before and after the taking, and disappears only during the very moment and process of taking. Surely, reasoning which leads to such a result must have some vice, at least the vice of injustice."

And again (p. 343) :

"It is also suggested that the government does not take this franchise; that it does not need any authority from the State for the exaction of tolls, if it desires to exact them; that it only appropriates the tangible property, and then either makes the use of it free to all, or exacts such tolls as it sees fit, or transfers the property to a new corporation of its own creation, with such a franchise to take tolls as it chooses to give. But this franchise goes with the property; and the Navigation Company, which owned it, is deprived of it. The government takes it away from the company, whatever use it may make of it; and the question of just compensation is not determined by the value to the government which takes, but the value to the individual from whom the property is taken; and when by the taking of the tangible property the owner is actually deprived of the franchise to collect tolls, just

compensation requires payment, not merely of the value of the tangible property itself, but also of that of the franchise of which he is deprived."

So in the case at bar just compensation requires payment of the value of the royalties of which the appellant is deprived. If this Court had decided no other case than the *Monongahela Navigation Company* case the fallacy of the defense of the Royalty Adjustment Act would be amply demonstrated. But there are many more cases to reinforce the conclusion.

In *United States v. Rogers*, 255 U. S. 163, it was argued that there was error in awarding the owners of appropriated lands interest on their value from the time of actual taking until compensation was made, because the United States cannot, in the absence of a statute to that end, be subjected to the payment of interest. The Court, however, held, in an opinion by Mr. Justice Day, that the allowance of just compensation involved the giving of interest.

Seaboard Air Line Ry. Co. v. United States, 261 U. S. 299, is to a like effect. It arose under a war statute. The Court said by Mr. Justice Butler (p. 304) :

"Section 10 of the Lever Act authorizes the taking of property for the public use on payment of just compensation. There is no provision in respect of interest. Just compensation is provided for by the Constitution and the right to it cannot be taken away by statute. Its ascertainment is a judicial function. *Monongahela Navigation Co. v. United States*, 148 U. S. 312, 327.

"The compensation to which the owner is entitled is the full and perfect equivalent of the property taken. *Monongahela Navigation Co. v. United*

States, 148 U. S. 312, 327. It rests on equitable principles and it means substantially that the owner shall be put in as good position pecuniarily as he would have been if his property had not been taken. *United States v. Rogers*, (C.C.A., Eighth Circuit), 257 Fed. 397, 400. He is entitled to the damages inflicted by the taking. *Northern Pacific Ry. Co. v. North American Telegraph Co.* (C.C.A., Eighth Circuit), 230 Fed. 347, 352, and cases there cited."

In the case at bar, if the appellant is to be put in as good condition pecuniarily as he would have been if his property had not been taken, he must have the full royalties to which his contract entitles him.

Omnia Commercial Co. v. United States, 261 U. S. 502, has been relied on by the Government as supporting the Royalty Adjustment Act and the orders here involved. In that case the appellant, by contract, acquired the right to purchase steel plate from a steel company at a price under the market. The Government requisitioned the company's entire production of steel plate. Appellant brought an action in the Court of Claims, alleging that the performance of the contract had been rendered unlawful and impossible and the effect was to take for the public use appellant's right to the steel plate expected to be produced by the steel company. To this petition a demurrer was sustained and the judgment was affirmed by this Court. The Court, however, in its opinion clearly differentiated the case from the one at bar, where it is the contention of the Government that the property of the patentee has been taken for public use, saying by Mr. Justice Sutherland (pp. 510-511):

"If, under any power, a contract or other property is taken for public use, the Government is liable; but if injured or destroyed by lawful action, without a taking, the Government is not liable. What was here requisitioned was the future product of the Steel Company, and, since this product in the absence of governmental interference would have been delivered in fulfillment of the contract, the contention seems to be that the contract was so far identified with it that the taking of the former, *ipso facto*, took the latter. This, however, is to confound the contract with its subject-matter. The essence of every executory contract is the obligation which the law imposes upon the parties to perform it. 'It (the contract) may be defined to be a transaction between two or more persons, in which each party comes under an obligation to the other, and each reciprocally acquires a right to whatever is promised by the other.' *Dartmouth College v. Woodward*, 4 Wheat. 629, 656. Plainly, here there was no acquisition of the obligation or the right to enforce it. If the Steel Company had failed to comply with the requisition, what would have been the remedy? Not enforcement of the contract but enforcement of the statute. If the Government had failed to pay for what it got what would have been the right of the Steel Company? Not to the price fixed by the contract but to the just compensation guaranteed by the Constitution.

"In exercising the power to requisition, the Government dealt only with the Steel Company, which company thereupon became liable to deliver its product to the Government, by virtue of the statute and in response to the order. As a result of this

lawful governmental action the performance of the contract was rendered impossible. It was not appropriated but ended."

Brooks-Scanlon Corp. v. United States, 265 U. S. 106, in our opinion, squarely rules the question under the just compensation clause involved in the case at bar. The Emergency Fleet Corporation served on a shipbuilder its order requisitioning all of the ships under construction in the builder's shipyard and the materials necessary for their completion. The order required the builder to complete the ships. It stated that compensation would be paid for "ships, materials, and contracts requisitioned." The Government (just as in the case at bar) contended that it had not requisitioned the claimant's contract by which the shipbuilder had agreed to construct one of the ships requisitioned, but the Court held that this contract and the claimant's rights and interests thereunder were expropriated, quoting with approval the dissenting opinion of the Chief Justice of the Court of Claims (p. 121):

"If the plaintiff had voluntarily assigned its contract with the builder to the Government, and the latter had expressly assumed the unfulfilled obligations and later received the completed vessel, it would not more effectively have acquired plaintiff's contract, its rights, and obligations than actually resulted from what was done in this case. The Government requisitioned the incomplete vessel with the purpose of requiring the completion in accordance with the existing contract; it did require the carrying out of that contract (with slight modification); it took plaintiff's right to have the vessel; it received the vessel and appropriated

plaintiff's partial payments thereon to its own use and benefit."

As to the just compensation, the Court, speaking by Mr. Justice Butler, said (pp. 123-124, 125-126):

"It is the sum which, considering all the circumstances—uncertainties of the war and the rest—probably could have been obtained for an assignment of the contract and claimant's rights thereunder; that is, the sum that would in all probability result from fair negotiations between an owner who is willing to sell and a purchaser who desires to buy.

"* * * Determination of just compensation is to be based on the fact that claimant's contract and its rights and interest thereunder were expropriated, and that it is entitled to have their value at the time of the taking. The value of such ships at the time of requisition, and the then probable value at the time fixed for delivery, the contract price, the payments made and to be made, the time to elapse before completion and delivery, the possibility that by reason of the Government's action in control of materials, etc., the contractor might not be able to complete the ship at the date fixed for performance, the loss of use of money to be sustained, the amount of other expenditures to be made between the time of requisition and delivery, together with other pertinent facts, are to be taken into account and given proper weight to determine the amount claimant lost by the taking (*Minnesota Rate Cases*, *supra*, 451; *United States v. Chandler-Dunbar Co.*, 229 U. S. 53, 76; *Boston Chamber of Commerce v. Boston*, 217 U. S. 189, 195; *Monon-*

gahela Navigation Co. v. United States, supra, 343), that is, the sum which will put it in as good a position pecuniarily as it would have been in if its property had not been taken. *United States v. New River Collieries Co.; supra, 343; Seaboard Air Line Ry. Co. v. United States, supra, 305.*"

In *Russian Volunteer Fleet v. United States*, 282 U. S. 481, the Court, in an opinion by Mr. Chief Justice Hughes, made a similar ruling in another suit to recover just compensation for the requisitioning by the Emergency Fleet Corporation of contracts for the construction of two vessels.

Jacobs v. United States, 290 U. S. 13, is another case in which the judgment of the court below was reversed for failure to allow interest in a suit under the Tucker Act. The Court said, in an opinion by Mr. Chief Justice Hughes (pp. 16-17):

"The amount recoverable was just compensation, not inadequate compensation. The concept of just compensation is comprehensive and includes all elements, 'and no specific command to include interest is necessary when interest or its equivalent is a part of such compensation'. The owner is not limited to the value of the property at the time of the taking; 'he is entitled to such addition as will produce the full equivalent of that value paid contemporaneously with the taking.' Interest at a proper rate 'is a good measure by which to ascertain the amount so to be added.' *Seaboard Air Line R. Co. v. United States*, 261 U. S. 299, 306. That suit was brought by the owner under § 10 of the Lever Act, which, in authorizing the President to requisition property for public use and to pay just

compensation, said nothing as to interest. But the Court held that the right to just compensation could not be taken away by statute or be qualified by the omission of a provision for interest where such an allowance was appropriate in order to make the compensation adequate."

The latest case on the subject of just compensation in this Court is *United States v. Miller*, 317 U. S. 369, in which the Court last year, in a unanimous opinion by Mr. Justice Roberts, summed up the effect of the cases as follows (pp. 373-374):

"The Fifth Amendment of the Constitution provides that private property shall not be taken for public use without just compensation. Such compensation means the full and perfect equivalent in money of the property taken. The owner is to be put in as good position pecuniarily as he would have occupied if his property had not been taken.

"It is conceivable that an owner's indemnity should be measured in various ways depending upon the circumstances of each case and that no general formula should be used for the purpose. In an effort, however, to find some practical standard, the courts early adopted, and have retained, the concept of market value. The owner has been said to be entitled to the 'value,' the 'market value,' and the 'fair market value' of what is taken. The term 'fair' hardly adds anything to the phrase 'market value,' which denotes what 'it fairly may be believed that a purchaser in fair market conditions would have given,' or, more concisely, 'market value fairly determined'."

See also *United States v. Chandler-Dunbar Co.*, 229 U. S. 53; *United States v. New River Collieries Co.*, 262 U. S. 341; *Davis v. Newton Coal Co.*, 267 U. S. 292; *Liggett & Myers Tobacco Co. v. United States*, 274 U. S. 215; *Phelps v. United States*, 274 U. S. 341; *Richmond Screw Anchor Co. v. United States*, 275 U. S. 331; *Olson v. United States*, 292 U. S. 246; *Great Northern Ry. Co. v. Weeks*, 297 U. S. 135; *Baltimore & Ohio R. R. Co. v. United States*, 298 U. S. 349, 365; *United States v. Klamath & Moadoc Tribes*, 304 U. S. 119.

In view of the great body of authority requiring that the full and perfect equivalent in money of the property taken for public use must be provided under the Fifth Amendment, so as to put the owner in as good position pecuniarily as he would have occupied if his property had not been taken, how can the Royalty Adjustment Act be justified?

The Act has been held constitutional in an opinion of the Circuit Court of Appeals for the Third Circuit by Judge Goodrich in *Timken-Detroit Axle Co. v. Alma Motor Co.*, 144 F. (2d) 714. The learned judge said (p. 719):

"The provision for recovery of compensation against the United States through suit in the Court of Claims is sufficient compliance with the constitutional provision for just compensation. *Crozier v. Krupp*, 224 U. S. 290 (1911); *Identification Devices v. United States*, 121 F. (2d) 895 (App. D. C. 1941), cert. den. 314 U. S. 615 (1941), 314 U. S. 587 (1942), reh. den. 314 U. S. 710, 714 (1941), 315 U. S. 779 (1942); *Pierce v. Submarine Signal Co.*, 25 F. Supp. 862 (D. C. Mass. 1939)."

It is unnecessary to discuss each of the cases cited by the learned judge, since the two cases in the lower courts add nothing to the decision of this Court in *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U. S. 290. In that case the Court held that a patentee had no right to enjoin an officer of the United States from using devices employing the inventions covered by his letters patent, because the Act of June 25, 1910, 36 Stat. 851, 35 USCA § 68, provided that "whenever an invention described in and covered by a patent of the United States 'shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims'" (p. 304). It is to be noted, however, that that Act provided for the recovery of "reasonable compensation" and, as amended by the Act of July 1, 1918, provided "for the recovery of his reasonable and entire compensation for such use and manufacture." How different is this language, calling for the recovery of reasonable and entire compensation, from that employed in the Royalty Adjustment Act, which, in lieu of the royalty contracted for, provides only for "fair and just compensation to the licensor * * *, taking into account the conditions of wartime production." By this Act the licensor is to be given the amount which might be just compensation if no contract right of his were taken; but the United States merely used an invention without the right to do so and Congress waived the immunity of the United States from suit for infringement. But when the contract right of a patentee to receive royalties is taken, he is entitled to the value of that right, under all the cases decided in the forty years which elapsed between the opinion of Mr. Justice Brewer in *Monongahela*

Navigation Co. v. United States and the opinion of Mr. Justice Roberts in *United States v. Miller* last year.

Comment has been made on the fact that both the Act of 1910 and the Royalty Adjustment Act of 1942 allow the United States the defenses that might be pleaded in an action for infringement or otherwise. Such defenses are appropriate in case the Government or a contractor for it uses an invention without license, which it claims to be unpatentable. Such defenses are inappropriate when the United States takes, as in the case at bar, the contract right of the licensor to receive royalties. A licensee may not dispute the validity of the patent in a suit for royalties. *Walker on Patents*, Deller's ed., vol. 2, § 383; *Kinsman v. Parkhurst*, 18 How. 289; *Eureka Co. v. Bailey Co.*, 11 Wall. 488; *United States v. Harvey Steel Co.*, 196 U. S. 310. To award just compensation for the taking of a contract right to royalties the United States must pay the sum which "probably could have been obtained for an assignment of the contract" (*Brooks-Scanlon Corp. v. United States*, at 265 U. S. 123-124), and parties negotiating for such an assignment, of course, would take into account the estoppel of the licensee from disputing the validity of the patent.

Richmond Screw Anchor Co. v. United States, 275 U. S. 331, was a suit brought under the Act of 1910, as amended in 1918, to recover from the United States for the use of a patented article unauthorized by the patent owner. The plaintiff was the assignee of the patent and the claims for infringement. The Court of Claims dismissed the petition for the reason that the assignment of the claims for infringement was void under the section of the Revised Statutes forbidding assignment of

claims against the United States. Its judgment was reversed by this Court, which said, in an opinion by Mr. Chief Justice Taft (p. 345):

"We must presume that Congress in the passage of the Act of 1918 intended to secure to the owner of the patent the exact equivalent of what it was taking away from him. It was taking away his assignable claims against the contractor for the latter's infringement of his patent. The assignability of such claims was an important element in their value and a matter to be taken into account in providing for their just equivalent."

To this we may add that the fact that the claim of a patentee against his licensee is not subject to the defense of invalidity of the patent is an important element in its value and a matter to be taken into account in providing for its just equivalent. The Royalty Adjustment Act, in prohibiting its being taken into account, violates the just compensation clause of the Fifth Amendment.

Judge Goodrich, in his opinion in the *Timken-Detroit Axle Co.* case, at 144 F. (2d) 716, refers to the fact that under the Act of 1910, as amended, when a patented invention is used or manufactured by or for the United States without license, a patent could be infringed "free from threat of injunction * * *, leaving the amount to be paid to the patentee to be adjusted by suit in the Court of Claims." But in the case at bar the United States did not choose to infringe the patent. It did not choose to use the invention at all. It chose merely to contract with the appellant's licensee, and in so doing it chose to say that the payment for the use of the invention shall be made in part to it and not wholly to the person entitled to the payment under the license con-

tract. We are dealing here solely with the taking of a contract right.

Let it not be supposed that the distinction made in the preceding paragraph is one without a difference. An analogy derived from two suppositious statutes will make the difference clear. A lawyer, like a patentee, may have something of use to the United States in the emergency, not property, like the right of the patentee, but the ability to perform services. Congress could authorize him to be drafted to perform the services for the Army or the Navy. The drafting of the lawyer, like the appropriating of the use of the invention, would clearly be legal, and the lawyer would not have to be compensated, for no *property* would be taken for public use. But suppose that the United States determines that the lawyer, by his services to his clients, for which he has contracts entitling him to compensation, is doing his part toward the winning of the war without being drafted, and Congress authorizes the head of a department or agency to determine what compensation would be fair and just for his services, taking into account wartime conditions, and to order that the excess of his contractual compensation over that so determined shall be paid to the United States. If the lawyer's contracts for such compensation were made in 1932, the tax upon him would parallel the exaction upon the appellant in the case at bar; and we submit that the taking of his compensation in excess of \$50,000 per annum (or, let us say, \$10,000 per annum, since a lawyer's services are hardly likely to be valued so highly as an inventor's) would deprive him of property without due process of law and take private property without just compensation. It would be no argument to say that he

might be drafted to serve without compensation, because the just compensation clause does not provide for compensation for services, but does provide compensation for property.

In Judge Goodrich's opinion a number of cases are cited which refer to the exercise of the war power, the commerce power, or other regulatory power of Congress over contracts, and the conclusion is stated (144 F. (2d) 719)

"If individual contract rights may be interfered with in pursuance of regulatory power exercised on behalf of the general public it is even clearer that such rights are subordinate to the public interest when compensation is given the individual for such interference."

We do not imply that the learned judge supposes that the contract rights may be appropriated without just compensation. The argument, however, on behalf of the Government in the court below in the case at bar seemed to rely on these cases of regulation reducing the value of contract rights as if they justified without more the orders made under the Royalty Adjustment Act. This of course is incorrect, as is shown by one of the cases cited by Judge Goodrich and also by the Government in its brief in the court below: *Louisville and Nashville R. R. Co. v. Mottley*, 219 U. S. 467. In that case a railroad company, in consideration of a release from a claim for damages for injuries, had agreed to issue free passes to the injured person annually during his life. The Court held that after the passage of the Interstate Commerce Act the agreement was unenforceable. In so holding, however, it clearly differentiated between an act regulating commerce and an act taking private property for

public use. Mr. Justice Harlan, who delivered the opinion of the Court, said (p. 484):

"It is not determinative of the present question that the commerce act as now construed will render the contract of no value for the purposes for which it was made. In *Knox v. Lee*, 12 Wall. 457, above cited, the court, referring to the Fifth Amendment, which forbids the taking of private property for public use without just compensation or due process of law, said: 'That provision has always been understood as referring only to a direct appropriation, and not to consequential injuries resulting from the exercise of lawful power. It has never been supposed to have any bearing upon or to inhibit laws that indirectly work harm and loss to individual. A new tariff, an embargo, a draft, or a war, may inevitably bring upon individuals great losses; may, indeed, render valuable property almost valueless. They may destroy the worth of contracts.'"

It is unnecessary, in view of the express provision in the Constitution for just compensation for the taking of private property, to argue that such compensation must be made for the taking of a contract right, even though the worth of the contract might be destroyed by legislation not involving a taking. It would be easy, however, if it were necessary, to justify the distinction which the framers of the Constitution made between legislation authorizing the taking of property and legislation merely regulating the use of property. The Government, as *parens patriae*, passing on the question whether the interest of the people calls for a regulation even at the expense of the invalidating of contract rights, is not subject to the temptation to which it

would be subject if it could take for its own benefit contract rights without paying the full and perfect equivalent in money of the rights so taken. In the one case the Government is disinterested; in the other case it is an interested party.

Conclusion.

We maintain, therefore, that the Royalty Adjustment Act and the orders made thereunder with regard to the royalties payable to the appellant are unconstitutional in that they deprive him of property without due process of law and take private property without just compensation, because

(a) they cannot be justified as an exercise of the taxing power, since as such they are arbitrary and capricious;

(b) they cannot be justified as an exercise of the power of eminent domain, since that power cannot be used to raise revenue but only to take property which is needed for use; and

(c) if they are justified as an exercise of the power of eminent domain, they are invalid for failure to secure to the appellant just compensation for what is taken from him.

We submit that the District Court for the District of New Jersey erred in ordering that the plaintiff's complaint be dismissed, and that the District Court for the Western District of Pennsylvania erred in ordering that the appellant's motion for an injunction be denied and that the paragraphs of the complaint relating to the question as to the constitutionality of the Royalty Adjustment Act be dismissed.

We submit further that the Court should direct the courts below to grant injunctions in accordance with the demands for relief in the complaints, restraining the defendants from complying with the terms of Royalty Adjustment Orders Nos. W-9 and N-7, and especially from paying over to the Treasurer of the United States any of the royalties specified in the license agreement between the plaintiff and the defendant Federal Laboratories, Inc., dated December 8, 1932.

Respectfully submitted,

JAMES D. CARPENTER, JR.,
75 Montgomery Street,
Jersey City, N. J.,

JOHN G. BUCHANAN,
WILLIAM H. ECKERT,
1025 Union Trust Bldg.,
Pittsburgh, Pa.
Attorneys for Appellant.

APPENDIX.

[PUBLIC LAW 768—77TH CONGRESS]

[CHAPTER 634—2D SESSION.] 56 STAT. 1013

An Act

To provide for adjusting royalties for the use of inventions for the benefit of the United States, in aid of the prosecution of the war, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, to aid in the successful prosecution of the War, whenever an invention, whether patented or unpatented, shall be manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder, and such license includes provisions for the payment of royalties the rates or amounts of which are believed to be unreasonable or excessive by the head of the department or agency of the Government which has ordered such manufacture, use, sale, or other disposition, the head of the department or agency of the Government concerned shall give written notice of such fact to the licensor and to the licensee. Within a reasonable time after the effective date of said notice, in no event less than ten days, the head of the department or agency of the Government concerned, shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production, and shall authorize the payment thereof by the licensee to the licensor on account of such manufacture, use, sale, or other disposition: *Provided, however,* That the licensee or licensor, if he so requests within ten days from and after the

effective date of said notice, may within thirty days from the date of such request present in writing or in person any facts or circumstances which may, in his opinion, have a bearing upon the rates or amounts of royalties, if any, to be determined, fixed and specified as aforesaid, and any order fixing and specifying the rates and amounts of royalties shall be issued within a reasonable time after such presentation. Such licensee shall not after the effective date of said notice pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition. The licensor shall not have any remedy by way of suit, set-off, or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such licensor's sole and exclusive remedy, except as to the recovery, of royalties fixed in said order shall be as provided in section 2 hereof. Written notice as provided herein shall be mailed to the last known address of the licensor and licensee and shall be effective upon receipt or five days after the mailing thereof, whichever date is the earlier.

SEC. 2. Any licensor aggrieved by any order issued pursuant to section 1 hereof, fixing and specifying the maximum rates or amounts of royalties under a license issued by him, may institute suit against the United States in the Court of Claims, or in the District Courts of the United States insofar as such courts may have concurrent jurisdiction with the Court of Claims, to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed in-

vention for the United States, taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixty of the Revised Statutes, or otherwise.

SEC. 3. The head of any department or agency of the Government which has ordered the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, and whether or not an order has been issued in connection therewith pursuant to section 1 hereof, is authorized and empowered to enter into an agreement, before suit against the United States has been instituted, with the owner or licensor of such invention, in full settlement and compromise of any claim against the United States accruing to such owner or licensor under the provisions of this Act or any other law by reason of such manufacture, use, sale, or other disposition, and for compensation to be paid such owner or licensor based upon future manufacture, use, sale, or other disposition of said invention.

SEC. 4. Whenever a reduction in the rates or amounts of royalties is effected by order, pursuant to section 1 hereof, or by compromise or settlement, pursuant to section 3 hereof, such reduction shall inure to the benefit of the Government by way of a corresponding reduction in the contract price to be paid directly or indirectly for such manufacture, use, sale, or other disposition of such invention, or by way of refund if already paid to the licensee.

SEC. 5. The head of the department or agency of the Government concerned is further authorized, in his discretion and under such rules and regulations as he

may prescribe, to delegate, and provide for the delegation of any power and authority conferred by this Act to such qualified and responsible officers, boards, agents, or persons as he may designate or appoint.

SEC. 6. For the purposes of this Act, the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government shall be construed as manufacture, use, sale, or other disposition for the United States and for the purposes of the Act of June 25, 1910, as amended (40 Stat. 705; 35 U. S. C. 68), the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

SEC. 7. This Act shall apply to all royalties directly or indirectly charged or chargeable to the United States for any supplies, equipment, or materials to be delivered to or for the Government from and after the effective date of the notice provided for in section 1 hereof. This Act shall also apply to all royalties charged or chargeable directly or indirectly to the United States for supplies, equipment, or materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of the notice provided for in section 1 hereof. Sections 1 and 2 of this Act shall remain in force only during the continuance of the present war and for six months after the termination thereof, except that as to rights accrued

or liabilities incurred prior to termination thereof, the provisions of this Act shall be treated as remaining in force and effect for the purpose of settling, sustaining, qualifying, or defeating any suit or claim hereunder.

SEC. 8. The head of each department or agency of the Government may issue such rules and regulations and require such information as may be necessary and proper to carry out the provisions of this Act. The provisions of section 10 (1) of an Act approved July 2, 1926 (44 Stat. 787), as amended, and title XIII of Public Law 507, Seventy-seventh Congress, shall be applicable to the owner, licensor, or licensee of an invention, whether patented or unpatented, manufactured, used, sold, or otherwise disposed of for the United States, and the term "defense contract" as used in said Act shall mean and include an agreement for the payment of royalty, regardless of the date of such agreement, under or by virtue of which royalty is directly or indirectly paid by the Government or included within the contract price for property sold to or manufactured for the Government.

SEC. 9. Nothing herein contained shall be deemed to preclude the applicability of Section 403 of Public Law 528, Seventy-seventh Congress, as the same may be heretofore or hereafter amended so far as the same may be applicable.

SEC. 10. If any provision of this Act or the application of any provision to any person or circumstance shall be held invalid, or if any provision of this Act shall be inoperative by its terms, the validity or applicability of the remainder of the Act shall not be affected thereby.

Approved, October 31, 1942.

(U. S. Code Title 35—Secs. 89-96.)

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OFFICE OF THE CLERK, U. S. SUPREME COURT

DEC. 6 1944

CHARLES ELMORE GRIFFIN
CLERK

Supreme Court of the United States

OCTOBER TERM, 1944

NO. 71.

ROSCOE A. COFFMAN, Appellant,

v.

BREEZE CORPORATIONS, INC., and THE UNITED STATES OF AMERICA.

Appeal from the District Court of the United States for the District of New Jersey.

NO. 485.

ROSCOE A. COFFMAN, Appellant,

v.

FEDERAL LABORATORIES, INC., and THE UNITED STATES OF AMERICA.

Appeal from the District Court of the United States for the Western District of Pennsylvania.

REPLY BRIEF FOR APPELLANT.

JAMES D. CARPENTER, JR.,
75 Montgomery Street,
Jersey City, N. J.,

JOHN G. BUCHANAN,
WILLIAM H. ECKERT,
1025 Union Trust Building,
Pittsburgh, Pa.,

Attorneys for Appellant.

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Supreme Court of the United States

OCTOBER TERM, 1944

ROSCOE A. COFFMAN, Appellant,	}	No. 71
v.		
BREEZE CORPORATIONS, INC.,		
and		
THE UNITED STATES OF AMERICA.		
ROSCOE A. COFFMAN, Appellant,	}	No. 485
v.		
FEDERAL LABORATORIES, INC.,		
and		
THE UNITED STATES OF AMERICA.		

REPLY BRIEF FOR APPELLANT.

In the brief for the United States (p. 18) it is suggested that if jurisdiction exists, nevertheless "the Court would remand the causes for hearing and determination of the constitutional issues, especially since these issues may require or justify the taking of evidence. Cf. *Wilshire Oil Co. v. United States*, 295 U. S. 100."

The case cited was one which was before this Court on a certificate of questions from a Circuit Court of Appeals. The appeal to the latter court was from an order of a District Court granting a preliminary injunction. The District Court had left to the hearing on the merits of this suit where they can be adequately and fully pre-

sented by the respective suitors" many matters disclosed by affidavits which had been filed: *United States v. Wilshire Oil Co.*, 9 F. Supp. 396, at p. 398.

No such situation exists in the case at bar, and it is merely gratuitous for the Government to suggest that the issues "may require or justify the taking of evidence." Under Section 1 of the Act of August 24, 1937, c. 754, 50 Stat. 751, 28 U.S.C. § 401, the United States was permitted "to intervene and become a party for presentation of evidence. * * * and argument upon the question of the constitutionality" of the Royalty Adjustment Act. No evidence was needed to determine the question as to the constitutionality of the Act, and the United States offered no evidence, though its counsel argued fully, both orally and by brief (not without protest), that the Act was constitutional. Why the brief was presented only to the court below and not to this Court, which postponed the hearing on jurisdiction "to the hearing of the case on the merits," we leave to the Department of Justice to try to explain.

If the question of jurisdiction is determined in favor of the appellant, we submit that he is entitled to the application of the rule "that where the law gives a party an appeal, he has a right to demand the conscientious judgment of the appellate court on every question arising in the cause": *Post v. Jones*, 19 How. 150, at p. 156.

We submit that this Court, having before it in the record everything necessary for judgment, "should proceed to do what the District Court ought to have done" (*City and County of Denver v. Denver Union Water Co.*, 246 U. S. 178, at p. 182), "thus saving to both parties the needless expense of a further prosecution of the suit"

(*Smith v. Vulcan Iron Works*, 165 U. S. 518, at p. 524). See also *Forged Steel Wheel Co. v. Lewellyn*, 251 U. S. 511, at pp. 515-516; *Davis v. Wallace*, 257 U. S. 478, at p. 482; *Hill v. Wallace*, 259 U. S. 44, at p. 63; *North Carolina R. R. Co. v. Story*, 268 U. S. 288, at p. 292; *Wagoner Estate v. Wichita County*, 273 U. S. 113, at p. 116; *Sterling v. Constantin*, 287 U. S. 378, at pp. 393-394.

The case of *Hill v. Wallace*, *supra*, is of particular interest, because the Court, after determining that there was equity in the bill against the Board of Trade of Chicago and the Secretary of Agriculture (for want of which the District Court had ordered that the bill be dismissed), proceeded to a determination of the merits and held an Act of Congress unconstitutional.

To these authorities we may add another reference to Section 3 of the Act under which the United States intervened, giving to the direct appeal to this Court, after the entry of a judgment either granting or denying an injunction, precedence over all other matters of a like character (Brief for Appellant, pp. 33-34). We submit that the purpose of this Act may best be attained by a final determination as to the constitutionality of the Royalty Adjustment Act and, if it is determined to be unconstitutional, by an injunction against the expropriation of the appellant's right to royalties, or any part thereof, on the ground that the purpose and effect of the Royalty Adjustment Act are to deprive the appellant of his contract right to these royalties without just compensation and without due process of law. A closely analogous case is *In re Manderson*, 51 Fed. 501 (C.C.A., 3rd Circ.). In this case the court affirmed a judgment dismissing a petition for the condemnation of land under a statute providing that the title should be vested in the

United States without charge. The court said by Wales, Dist. J. (p. 503) :

"Article 5 of amendments to the constitution of the United States prohibits the taking of private property for public use without just compensation. If the use for which it is proposed to take such property is not a public use, or if the owner of the property is not to be paid an *equivalent*, to be lawfully ascertained, for its loss, then no proceedings for condemnation can or should be allowed." (Italics ours.)

We are confident that the decision of the Court as to the need for an injunction will not be influenced by the introduction into the Brief for the United States of allegations of facts *dehors* the record. See particularly note 20 on page 34 of that brief and Appendix C, quoting letters to counsel for the United States and Breeze Corporations, Inc., from the Chairman of the Royalty Adjustment Board written while the instant cases were pending on appeal. Counsel must have known that these matters not in the record could not be taken into consideration. See *Schley v. Pullman Car Co.*, 120 U. S. 575, at p. 578; and *cf. Mitchell v. United States*, 9 Pet. 711, at p. 731; *Pacific R. R. of Missouri v. Ketchum*, 95 U. S. 1, at p. 3; *South Carolina v. Wesley*, 155 U. S. 542, at p. 544. It is hardly necessary to add that the arrangement discussed between counsel and the Chairman of the Royalty Adjustment Board resembles in no way the condition of the injunctions set forth in *Kingan & Co. v. Smith*, 12 F. Supp. 329, at p. 331, cited in the note mentioned as adopting "a similar procedure." A court may protect parties by an injunction, but the Chairman of the Royalty Adjustment Board can give no protection against the terms

of the orders of the War Department and the Navy Department involved in this case; and if he wished to give such protection, he would endeavor to procure changes in the orders and not merely write letters to representatives of parties adverse to the appellant.

Respectfully submitted,

JAMES D. CARPENTER, JR.,
75 Montgomery Street,
Jersey City, N. J.,

JOHN G. BUCHANAN,
WILLIAM H. ECKERT,
1025 Union Trust Building,
Pittsburgh, Pa.,
Attorneys for Appellant.

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1937
COURT OF APPEALS
No. 939 71

In the Supreme Court of the United States

OCTOBER TERM, 1943

ROSCOE A. COFFMAN, PLAINTIFF-APPELLANT

BREEZE CORPORATIONS, INC., AND THE UNITED
STATES OF AMERICA

APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE DISTRICT OF NEW JERSEY

MOTION OF THE UNITED STATES TO AFFIRM

In the Supreme Court of the United States

OCTOBER TERM, 1943

No. 939

ROSCOE A. COFFMAN, PLAINTIFF-APPELLANT

v:

BREEZE CORPORATIONS, INC., AND THE UNITED
STATES OF AMERICA

APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE DISTRICT OF NEW JERSEY

MOTION OF THE UNITED STATES TO AFFIRM

This motion is filed by the United States pursuant to paragraph 3 of Rule 12 of this Court, in response to the Statement of Jurisdiction and other papers filed by the appellant, which urge this Court to review on appeal the judgment entered by the court below.

This action was commenced by appellant Coffman as plaintiff, in the District Court of the United States for the District of New Jersey, to enjoin the defendants-appellees, Federal Laboratories, Inc., a corporation of Delaware, and Breeze Corporations, Inc., a corporation of New Jersey, from paying certain royalties, alleged to be due to Coff-

man, to the Treasurer of the United States in compliance with certain orders issued by the War and Navy Departments (Royalty Adjustment Orders W-9 and N-7, respectively), pursuant to the Act of October 31, 1942 (56 Stat. 1013, 35 U. S. C. Supp. III, 89-96), hereinafter referred to as the Royalty Adjustment Act. Coffman also sought a declaration that this Act was unconstitutional. A specially constituted three-judge court was convened pursuant to the Act of August 24, 1937 (c. 754, § 3, 50 Stat. 752, 28 U. S. C. 380a). On March 4, 1944, on motion of the United States, that court entered a judgment dismissing Coffman's complaint on the ground that there was no justiciable "case or controversy," and that the remedy at law was adequate. Coffman thereupon filed a petition for appeal which was allowed by the court below by order of April 6, 1944.

The United States, as Intervenor below, now submits that this case does not present a "case" or "controversy" entitling plaintiffs to a decision of constitutional questions, and that the judgment below should therefore be affirmed.

STATEMENT OF FACTS

Coffman, the owner of a patent, on December 8, 1932, licensed Federal Laboratories thereunder at a royalty of 6% of the net selling price of all devices and parts covered by the patent. Federal in 1937 and 1939 engaged Breeze Corporations,

a subsidiary, as its exclusive sales agent and distributor to manufacture and sell such devices and parts.

In February 1941, Coffman instituted an action in the District Court of New Jersey against Federal and Breeze, seeking an accounting for royalties allegedly owing to Coffman under the license agreement. Breeze answered, denying liability under the license agreement; Federal was not served with process and did not appear or answer. This action (the "law action") is awaiting trial in the district court.

While the law action was pending, the United States War and Navy Departments gave notice to Coffman, Breeze, and Federal, pursuant to the Royalty Adjustment Act, that the royalties payable to Coffman under the license agreement were unreasonable and excessive. Royalty Adjustment Orders W-9 and N-7 were then issued pursuant to Section 1 of that Act, reducing the royalties to an amount determined to be "fair and just," with a maximum of \$50,000 per year, and directed that "the balance * * * of all royalties specified in the licenses * * * which were due to the licensor and were unpaid on the effective date [of the notice] or since said date have or may hereafter become due to licensor on account of any manufacture, use, sale, or other distribution of said inventions for the War Department or Navy Department" shall be paid to the Treasurer of the United States.

Coffman then brought this suit to enjoin Federal and Breeze from complying with these orders, and to obtain a declaration that the Royalty Adjustment Act and the orders issued thereunder were invalid.¹ Federal was again not served and did not appear. Breeze answered, denying liability to either Coffman or the United States; Breeze did not assert any right or defense predicated upon either the Royalty Adjustment Act or the Orders issued thereunder, and did not contravert Coffman's allegations that the Act and orders were unconstitutional.

On January 7, 1944, District Judge Smith issued an order temporarily restraining Breeze and Federal from complying with Royalty Adjustment Orders W-9 and N-7 "until a hearing has been held by a special court of three judges." Circuit Judge McLaughlin and District Judges Smith and Fake were then "designated pursuant to the Act of August 24, 1937, § 3." On January 15, 1944, the United States, upon receipt of a certification under Section 1 of the Act of August 24, 1937, that the constitutionality of an act of Congress affecting the public interest had been drawn in question, intervened with the permission of the specially constituted court below.

¹ Defendants had not then and have not yet, so far as we know, paid Coffman the \$50,000 mentioned in the orders, nor the balance to the United States. At the date of the complaint, a meeting of defendants' officers and counsel had been scheduled to consider what action to take.

On February 7, 1944, the United States moved to dismiss the complaint on the ground that the court lacked jurisdiction over the subject matter. On April 6, 1944, after hearing argument and receiving briefs, the court below entered judgment dismissing the complaint, on the grounds (1) that there was no case or controversy as between the immediate parties; and (2) that Coffman had an adequate remedy at law.

I

THE SUIT WAS PROPERLY DISMISSED FOR WANT OF AN ADVERSE INTEREST BETWEEN PLAINTIFF AND DEFENDANTS WITH RESPECT TO THE VALIDITY OF THE STATUTE

The Royalty Adjustment Act (Sec. 1) prohibits payment by the licensee to the licensor of any royalties in excess of those specified in the Order (here \$50,000 per year) and provides that the licensor shall have no remedy against the licensee "for the payment of any additional royalty," his sole remedy (except as to royalties fixed in the order) being suit against the United States for any amount needed to make up "fair and just compensation" (Sec. 2).

The present suit seeks to prevent defendants from complying with the orders of Government agencies on the ground that the above statute under which they were issued is unconstitutional. These orders directed defendants to pay no more than a fixed amount of royalties to plaintiff under

their license agreement, and to return the balance to the United States, to the extent that the larger amount had been charged, or was chargeable to the United States. But the defendants have not invoked the Royalty Adjustment Act or the orders issued thereunder as an excuse for not complying with their alleged obligation under the license agreement, have not asserted the validity or invalidity of the Act or orders, and did not offer any resistance or objection to the plaintiff's application for injunctive relief. Indeed, if defendants should prevail on the merits in the pending lawsuit for royalties under the license agreement without relying upon the supervening directions from the Government under the Royalty Adjustment Act, the validity of such directions would be a purely academic matter.

While plaintiff Coffman may benefit from a declaration that the Act is unconstitutional, this is wholly immaterial to defendants, since their royalty costs under the license, whether at the stipulated rate or at the reduced rate specified in the Orders, will be borne by the United States.² If the royalties were properly reduced under the Act, royalties up to \$50,000 per year will be payable to Coffman, the balance to the United States. If the Act is invalid, all will be payable to Coffman. In neither case would defendants suffer.

² Under the Royalty Adjustment Act, only such royalties as are chargeable directly or indirectly to the United States may be reduced. (See Sections 1 and 4.)

In either case, defendants pay only once, and since under their contracts with the United States and with other Government contractors, royalties properly paid are passed on to the United States, defendants are not interested in the amount due under the license agreement. For this reason they have not opposed plaintiff's attack upon the Act or his alleged right to an injunction.

In these circumstances, we submit that there is no adverse interest between plaintiff and defendants as to the validity of the Act, and consequently no "case or controversy" warranting the exercise of judicial power by this Court.

As the court below properly observed:

The complaint does not invoke the judgment of the Court on the respective rights and liabilities of the parties, but invites only an adjudication on the constitutionality of the Statute and the validity of the Orders; such an adjudication is not essential to the determination of any right or interest asserted by the plaintiff and controverted by the defendant in this action. This defendant, as hereinabove stated, asserts no right or defense predicated upon either the Act or the Orders, and offers no resistance to the application for injunctive relief.

Defendants are under no duress to comply with the orders, since the Act does not subject them to any fines or penalties. Nor have they been faced with suit by the United States in addition to that

8

heretofore brought at law by the plaintiff. Cf. Federal Interpleader Act, c. 13, 49 Stat. 1096, 28 U. S. C. 41 (26).

In these circumstances it is submitted that the decision below is right in holding that the present suit does not call for an exercise of judicial power in "an adversary proceeding" which touches the "legal relations of parties having adverse legal interests" (*Aetna Life Insurance Co. v. Haworth*, 300 U. S. 227, 240-241). The principle has particular application here, since the federal courts will determine constitutional questions "only in the last resort, and as a necessity in the determination of real, earnest, and vital controversy between individuals" (*Chicago and Grand Trunk Ry. v. Wellman*, 143 U. S. 339, 345). See also *United States v. Johnson*, 319 U. S. 302, 305, and cases there cited.

There is no interest of the plaintiff which requires that this salutary principle be disregarded in the present case. As the court below held, the complaint does not state a cause of action for equitable relief. The plaintiff has not shown that it "has sustained or is immediately in danger of sustaining some direct injury as a result of [the] enforcement" of the statute (*Massachusetts v. Mellon*, 262 U. S. 447, 488). Whatever claim the plaintiff may have against the defendants is that of a general creditor. As such the plaintiff has no legal right in the defendants' assets, such as might exist in the case

of a stockholder (cf. *Carter v. Carter Coal Co.*, 298 U. S. 238) or lienor (cf. *Z and F. Assets Realization Corp. v. Hull*, 311 U. S. 470). There is no good reason why recourse to equity is necessary. As was said in *Arkansas Building Association v. Madden*, 175 U. S. 269, 274: "It is quite possible that in cases of this sort the validity of a law may be more conveniently tested, by the party denying it, by a bill in equity than by an action at law; but considerations of that character, while they may explain, do not justify, resort to that mode of proceeding." (Cf. *Moor v. Texas & New Orleans R. R. Co.*, 297 U. S. 101.)

II

THE JURISDICTION OF THIS COURT

Plaintiff's application to enjoin the defendants Federal and Breeze from complying with the Royalty Adjustment Orders on the ground that the Royalty Adjustment Act under which they were issued is unconstitutional, was heard and determined by three judges "designated pursuant to the Act of August 24, 1937, c. 754, § 3, 50 Stat. 752, 28 U. S. C. 380a." (See opening recital in opinion below.) Section 3 of the Act of August 24, 1937, provides in part:

No interlocutory or permanent injunction suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress upon the ground that such Act or

any part thereof is repugnant to the Constitution of the United States shall be issued ~~or~~ granted by any district court of the United States, or by any judge thereof, or by any circuit judge acting as district judge, unless the application for the same * * * shall be heard and determined by three judges, of whom at least one shall be a circuit judge. * * *

An appeal may be taken directly to the Supreme Court of the United States upon application therefor or notice thereof within thirty days after the entry of the order, decree, or judgment granting or denying, after notice and hearing, an interlocutory or permanent injunction in such case.

While the conclusion is not free from doubt, we believe that the court of three judges was properly convened. The doubt rests on the fact that no injunction was sought to restrain any agency, officer or employee of the United States from executing, enforcing, or administering an Act of Congress. The suit was solely against a private party. Such a suit would probably not call for a three-judge court under Section 266 of the Judicial Code, the prototype of the section here involved. (Cf. *Oklahoma Gas & Electric Co. v. Oklahoma Packing Co.*, 292 U. S. 386.) But Section 266 differs in certain important respects from the present section. See *Jameson & Co. v. Morgenthau*, 307 U. S. 174, holding that an attack on the validity of an order, as dis-

tinguished from the validity of a statute, does not require a three-judge court under the Act of August 24, 1937, unlike Section 266 of the Judicial Code. Section 266 speaks in terms of injunctions "restraining the action of any officer of such State." The 1937 Act omits language of that kind. The omission was doubtless significant, since suits effectively restraining the enforcement of federal statutes were commonly brought without joining federal officers. (Cf. *Moor v. Texas & N. O. R. R. Co.*, 297 U. S. 101; *California Water Service Co. v. City of Redding*, 304 U. S. 252.) In the latter case, brought after the 1937 Act, a three-judge court was held to be improper not because federal officials were not joined but because of the want of a substantial federal question.

Insofar as the present suit is an effort to litigate a constitutional question which should be left to an action at law, the mere fact that in a sense the plaintiff seeks to set aside an Act of Congress does not bring the suit under the 1937 Act (*International Ladies' Garment Workers' Union v. Donnelly Garment Co.*, 304 U. S. 243). But to the extent that the present suit seeks a decree restraining the defendants from complying with a statute and orders thereunder on the ground of invalidity of the statute, it would seem to come within the provisions for a three-judge court.

The fact that the decision below dismissing the bill is on a nonconstitutional ground should not

affect the course of appeal to this Court. Cf. *Buck v. Gallagher*, 307 U. S. 95, where an appeal was taken directly to this Court under Section 266 from a decision holding that the district court lacked jurisdiction for want of the proper jurisdictional amount in controversy.

CONCLUSION

For the foregoing reasons the United States respectfully submits that the judgment below should be affirmed, and so moves pursuant to Rule 12 (3) of this Court.

CHARLES FAHY,
Charles Fahy,
Solicitor General.

Nos. 71 and 485

In the Supreme Court of the United States

OCTOBER TERM, 1944

ROSCOE A. COFFMAN, APPELLANT

v.

BREEZE CORPORATIONS, INC., AND THE UNITED
STATES OF AMERICA

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE DISTRICT OF NEW JERSEY

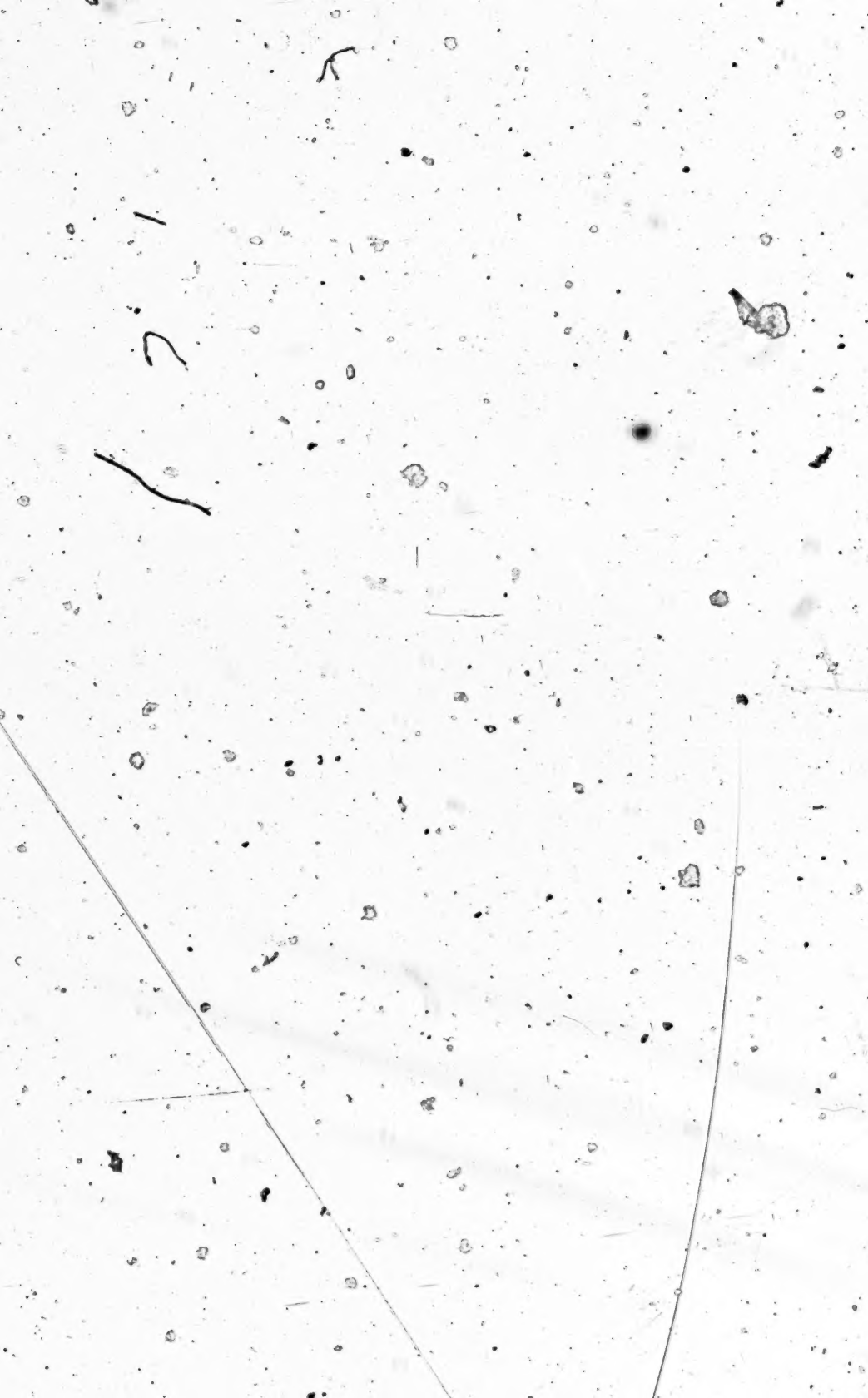
ROSCOE A. COFFMAN, APPELLANT

v.

FEDERAL LABORATORIES, INC., AND THE UNITED
STATES OF AMERICA

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE WESTERN DISTRICT OF PENNSYLVANIA

BRIEF FOR THE UNITED STATES



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In the Supreme Court of the United States

OCTOBER TERM, 1944

No. 71

ROSCOE A. COFFMAN, APPELLANT

v.

**BREEZE CORPORATIONS, INC., AND THE UNITED
STATES OF AMERICA**

**ON APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE DISTRICT OF NEW JERSEY**

No. 485

ROSCOE A. COFFMAN, APPELLANT

v.

**FEDERAL LABORATORIES, INC., AND THE UNITED
STATES OF AMERICA**

**ON APPEAL FROM THE DISTRICT COURT OF THE UNITED
STATES FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

BRIEF FOR THE UNITED STATES

OPINIONS BELOW

The opinion of the District Court of the United States for the District of New Jersey (No. 71, R. 61-69) is reported in 55 F. Supp. 501. The order

of the District Court of the United States for the Western District of Pennsylvania dismissing portions of appellant's complaint (No. 485, R. 64-65) is not officially reported.

JURISDICTION

The judgment of the district court in No. 71 was entered on April 6, 1944 (No. 71, R. 70). The petition for appeal was also presented on April 6, 1944 (No. 71, R. 70), and allowed the same day (No. 71, R. 70-71). The case was docketed in this Court on April 28, 1944. On May 22, 1944, this Court postponed further consideration of its jurisdiction to the hearing of the case on the merits (No. 71, R. 76).

The order of the district court in No. 485, of which review is sought, was entered on August 1, 1944 (No. 485, R. 64-65), and the order allowing appeal was filed on August 29, 1944 (No. 485, R. 65-66). The case was docketed in this Court on September 20, 1944. On October 16, 1944, this Court postponed further consideration of its jurisdiction to the hearing of the case on the merits (No. 485, R. 70-71).

On October 16, 1944, this Court, on motion of the appellant, consolidated both cases (Nos. 71 and 485) for argument, and transferred them to the summary docket (No. 485, R. 70-71).

Jurisdiction of this Court in both cases is asserted to be based on Section 3 of the Act of August 24, 1937 (c. 754, § 3, 50 Stat. 752, 28 U. S. C. 380a).

QUESTIONS PRESENTED

1. Whether the suits by appellant, a patent owner, seeking to enjoin its licensees from making refunds of royalties to the Government pursuant to orders issued under the Royalty Adjustment Act, and attacking the validity of the Act, were properly dismissed for want of equity and of a case or controversy.

2. Whether, in addition, the suit in No. 485 was barred by *res judicata*.

3. Whether it was proper to convene a three-judge court in each case and to take a direct appeal to this Court.

STATUTES AND REGULATIONS INVOLVED

The Act of October 31, 1942 (56 Stat. 1013, 35 U. S. C. Supp. III, 89-96), known as the Royalty Adjustment Act, and Section 3 of the Act of August 24, 1937, are set forth in Appendices A and B, *infra*, pp. 70-75, 76-78.

STATEMENT

These are appeals from judgments of specially constituted three-judge courts, convened pursuant to Section 3 of the Act of August 24, 1937 (28 U. S. C., § 380a), dismissing suits by appellant, Roscoe A. Coffman, to restrain appellees, Breeze Corporations, Inc. (No. 71), and Federal Laboratories, Inc. (No. 485), from complying with certain orders issued pursuant to the Royalty Adjust-

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ment Act of October 31, 1942 (35 U. S. C. Supp. III, 89-96).

The following facts, alleged in the complaints or undisputed in the record, are common to both cases:

Appellant Roscoe A. Coffman owned a United States patent covering an improvement in starting motors, and shells for use therewith. On December 8, 1932, he entered into a license agreement with appellee Federal Laboratories, Inc., a Delaware corporation, granting Federal a non-assignable exclusive license at a royalty of 6 per cent of the licensee's net selling price of all devices and parts covered by the patent. (No. 71, R. 1-2, 12-13; No. 485, R. 1-2, 17.) At some time prior to July 1937, appellee Breeze Corporations, Inc., a New Jersey corporation, acquired all of Federal's outstanding common capital stock and, as the sole owner of that corporation, exercised sole control over the latter's practices and policies (No. 71, R. 2; No. 485, R. 2). In 1937 Breeze entered into an agreement with Federal, renewed in 1939, whereby Federal engaged Breeze as its "exclusive sales agent and distributor," to manufacture and sell the patented devices. Breeze thereupon took over the exclusive manufacture and sale of the starting devices and shells which formerly had been carried on by Federal. (No. 485, R. 61-64, 5-6; No. 71, R. 63.)¹

¹The complaint in the district court in No. 71 alleges that Breeze in 1937, "undertook to perform the terms of the agree-

In February 1941, appellant instituted an action in the District Court of the United States for the District of New Jersey against both Federal and Breeze (Civil Action No. 1395), seeking an accounting and judgment for royalties allegedly owing to appellant under the license agreement, and rescission of the license for fraud (No. 71, R. 2-3, 20-25; No. 485, R. 6-7). Breeze answered, denying liability for the royalties and any right to rescission (No. 71, R. 40-42); Federal was not served and did not appear or answer (No. 71, R. 63; No. 485, R. 7). That action (hereinafter referred to as the "New Jersey accounting action") is now at issue and awaiting trial, and under the district court's ruling will govern all royalties accruing to the date of trial (No. 71, R. 3).

On October 31, 1942, the Royalty Adjustment Act became law (56 Stat. 1013, 35 U. S. C. Supp.

ment" between Coffman and Federal (No. 71, R. 2). The 1937 agreement between Breeze and Federal did not become available to the plaintiff Coffman until the oral argument on the Government's motion to dismiss the complaint in No. 71 on jurisdictional grounds, when Coffman and Breeze submitted a stipulation to be used only in the event the Government's motion was denied. Annexed to that stipulation were copies of the 1937 and 1939 agreements between Federal and Breeze and copies are also found in the record in No. 485 (R. 61-64). The district court in No. 71, in its opinion granting the Government's motion, recited (No. 71, R. 63): "The Federal Laboratories, under agreement dated April 28, 1937 and April 28, 1939, employed and engaged the defendant Breeze Corporations, as the exclusive sales agent and distributor, to manufacture and sell the inventions." This is also alleged in the complaint in No. 485 (No. 485, R. 5-6).

III, 89-96). Section 1 provides that whenever a patented invention is "manufactured, used, sold, or otherwise disposed of for the United States," under a license calling for royalties "believed to be unreasonable or excessive" by the head of the Government agency concerned, he "shall give written notice of such fact to the licensor and to the licensee," and within a reasonable time thereafter "shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production." The licensee may not, after the effective date of the notice—

pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition.

The licensor in such cases is deprived of "any remedy * * * against the licensee for the payment of any additional royalty remaining unpaid," and his "sole and exclusive remedy, except as to the recovery of royalties fixed in said order" is suit against the United States—

to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production. (Sec. 2.)

The Act is made applicable "to all royalties directly or indirectly charged or chargeable to the United States" which "have not been paid to the licensor prior to the effective date of the notice," as well as to royalties accruing upon articles delivered "after the effective date of the notice" (Sec. 7). Any reduction in royalties pursuant to the Act is to inure "to the benefit of the Government by way of a corresponding reduction in the contract price to be paid * * * or by way of refund if already paid to the licensee" (Sec. 4).²

On February 24, 1943, pursuant to Section 1 of that Act, the United States Navy Department gave written notice to appellant, and to Federal and Breeze, that the royalties provided for by the 1932 license to Federal "now being paid directly or indirectly by the United States under certain contracts in which" Federal or Breeze "is either a prime contractor or a subcontractor are believed to be unreasonable or excessive;" and the notice directed that until a Royalty Adjustment Order was issued under the Act, "no royalties should be paid on account of the manufacture, use, sale, or other disposition for the United States" (No.

² On August 7, 1944, the constitutionality of this Act was upheld by the United States Circuit Court of Appeals for the Third Circuit in *Timken-Detroit Axle Co. v. Alma Motor Co.*, 144 F. (2d) 714. On October 2, 1944, rehearing was denied, and on November 24, 1944, the appellant in that case obtained a stay of mandate for the purpose of filing a petition for a writ of certiorari in this Court.

71, R. 59; No. 485, R. 7). A similar notice was given to the same parties by the United States War Department on March 3, 1943 (No. 71, R. 60; No. 485, R. 7). In December 1943, the Navy and War Departments issued Royalty Adjustment Orders N-7 and W-9, respectively, pursuant to Section 1 of the Act, reducing to specified amounts determined to be "fair and just," the royalties accruing on account of manufacture, use or sale of the inventions for the Navy or War Departments, with maximum royalties of \$50,000 per year, commencing January 1, 1943.³ By way of refund, the orders directed both Federal and Breeze to pay to the Treasurer of the United States "the balance, in excess" of the royalty payments authorized in the orders, "which were due to Licensor and were unpaid on the effective date" of the notice, or which thereafter became due to the licensor "on account of any manufacture, use, sale or other disposition of said inven-

³ Paragraph (1) of the Orders fixes the "Fair and just rates and amounts of royalties" for the starters, parts and cartridges, as follows:

"(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight (\$8) Dollars each, and

"(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties:

"but not to exceed the sum of Fifty Thousand (\$50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the War Department and the Navy Department, added together."

tions for the War Department or Navy Department" (No. 71, R. 42-45, 46-48; No. 485, R. 39-45). Appellant then instituted the two suits here involved.

** The New Jersey Injunction Suit (No. 71).*

On January 7, 1944, appellant instituted an action in the District Court of the United States for the District of New Jersey, to enjoin Federal and Breeze from complying with the aforesaid Royalty Adjustment Orders on the ground that the Act and the orders were unconstitutional and void, and to obtain a declaration to that effect (No. 71, R. 1-8).¹ Breeze was served, but Federal was not served and did not appear.

On January 7, 1944, District Judge Smith issued an order temporarily restraining Breeze and Federal from complying with the orders until a hearing by a special three-judge court (No. 71, R. 49). Such a court was then designated (consisting of Circuit Judge McLaughlin and District Judges Smith and Fake) pursuant to Section 3 of the Act of August 24, 1937 (No. 71, R. 61).

¹ Neither Breeze nor Federal had then and have not yet, so far as we know, paid appellant the \$50,000 royalties permitted by the orders, nor the balance of accrued royalties to the United States. At the date of the complaint, a meeting of Breeze, Federal and their officers and counsel had been scheduled to consider what action to take (No. 71, R. 5). According to an audit of Breeze's books ordered by the court in the New Jersey accounting suit, some \$260,000 in royalties had accrued "for the entire year 1943" (No. 71, R. 10).

Upon receipt of a certification under Section 1 of that Act that the constitutionality of an act of Congress affecting the public interest had been drawn in question, the United States intervened on January 15, 1944, with permission of the court (No. 71, R. 50-53). Breeze filed an answer on January 29, 1944,⁵ denying that any royalties were due from it to either appellant or the United States under the Royalty Adjustment Orders, and asserting that whether the Act "is valid or invalid is a matter which is immaterial" to it because it owes appellant nothing (No. 71, R. 56).

On February 5, 1944, the United States moved to dismiss the complaint on the grounds that the court lacked jurisdiction over the subject matter, that appellant had no standing to challenge the validity of the Act, that the complaint did not state grounds for equitable relief, and that the Royalty Adjustment Act and orders are valid (No. 71, R. 57-58). On April 6, 1944,⁶ the court entered a judgment dismissing the complaint (No. 71, R. 70), on the grounds that there was no case or controversy between the immediate parties, and that appellant had an adequate remedy at law

⁵ This date does not appear in the printed record, but it is shown in the docket entries found on page 1 of the original transcript of record in this case, filed in this Court.

(No. 71, R. 61-69).^{*} Appellant brought that judgment here on appeal.

The Pennsylvania Injunction Suit (No. 485)

On June 14, 1944, appellant brought a second suit in the District Court of the United States for the Western District of Pennsylvania, to restrain Federal and Breeze from complying with the Royalty Adjustment Orders on the ground that they and the Act are invalid (No. 485, R. 1-12). The complaint in that suit, however, consisted of three causes of action, incorporating the substance of the New Jersey accounting suit and the New

^{*}The temporary restraining order which Judge Smith had issued on January 7, 1944, was continued by the three-judge court on January 26, 1944 (No. 71, R. 53). On April 6, 1944, when the judgment below was entered dismissing the complaint, Judge Eake allowed an appeal to this Court, and without notice to the Government entered an order enjoining Federal and Breeze pending the appeal from paying to the Treasurer of the United States any royalties due to Coffman (No. 71, R. 70-71). After the Attorney General brought to the attention of the court below and the parties that this stay order appeared to be invalid under Rule 62 (c), F. R. C. P., appellant applied to the three-judge court upon notice for a stay pending appeal. On May 21, 1944, that court denied the stay and ordered appellant to present his application therefor to this Court which, on May 22, 1944, had agreed to hear the appeal on the merits. On May 26, 1944, appellant applied to this Court for a stay, which was denied on May 29, 1944. The Royalty Adjustment Board of the Army Air Forces by letter of May 30, 1944, thereupon directed Breeze to comply with the Royalty Adjustment Orders (No. 485, R. 46).

Jersey injunction suit, as well as some additional matter.

The first cause of action alleged that Breeze and Federal received royalties from certain British companies which they were obliged to share with appellant, and prayed for an accounting and judgment in the amount due (No. 485, R. 1-5, pars. 1-17).² The third cause of action asked judgment for royalties alleged to be due from Breeze and Federal under the 1932 license agreement (No. 485, R. 11-12, pars. 33-35). The second cause of action sought an accounting in respect of a balance of royalties alleged to be due from Breeze and Federal (thus partially duplicating the third cause of action), and termination of the license agreement on account of alleged violations thereof (No. 485, R. 5-7, 10-11, pars. 18-23, 31, and 32 (1), (2), and (5)). With respect to these allegations and the relief sought on the basis thereof the United States took no position in the Pennsylvania suit.

The second cause of action, however, also set forth the proceedings and orders under the Royalty Adjustment Act (No. 485, R. 7-8, pars. 24-26), the New Jersey injunction litigation (No. 485, R. 8-9, pars. 27-29), and the letter of the

² The 1932 license to Federal also granted rights under foreign patents obtained by appellant covering the same invention. The royalties alleged to be due in the first cause of action apparently were based upon British use of the invention.

Royalty Adjustment Board dated May 30, 1944, directing Breeze to comply with the Royalty Adjustment Orders (No. 485, R. 9-10, par. 30). It charged that the Orders are void because not authorized by the Act, that the Act destroys appellant's contract rights, and that compliance by the defendants with the Orders would cause appellant irreparable damage since he will be unable to recover the "moneys due to him from the defendants" if they are "paid over to the Treasurer of the United States" (No. 485, R. 10, pars. 30, 32). Appellant accordingly prayed for a temporary and final order enjoining Federal and Breeze from complying with the Royalty Adjustment Orders (No. 485, R. 11, par. 32 (3)). This time Federal alone was served, and Breeze entered no appearance.

District Judge Gibson issued a temporary restraining order as prayed and ordered a hearing before a specially constituted three-judge court to determine, *inter alia*, whether the Royalty Adjustment Act "should be declared unconstitutional in accordance with the prayer of the plaintiff's complaint" (No. 485, R. 47-48). By direction of the court (No. 485, R. 48), a copy of the complaint and the order were served upon the Attorney General.

On July 18, 1944, the United States intervened as a party by leave of court, pursuant to Section 1 of the Act of August 24, 1937 (No. 485, R. 52-53),

and filed a motion to vacate the temporary restraining order and to dismiss the complaint insofar as it purported to allege grounds for, and prayed for, injunctive relief against compliance by Breeze and Federal with the Royalty Adjustment Orders (No. 485, R. 50-52). That motion was based on the grounds that (1) the judgment in the New Jersey injunction suit, dismissing appellant's complaint, was *res judicata* as to that portion of the Pennsylvania action which sought injunctive relief against compliance by Breeze and Federal with the Royalty Adjustment Orders; (2) the issuance of any injunction prior to disposition by this Court of the appeal in the New Jersey suit would be inconsistent with the order of this Court and the order of the three-judge court in New Jersey, issued on May 29 and 24, 1944, respectively, denying appellant a temporary injunction pending appeal; and (3) all the issues raised by appellant's prayer for injunctive relief were pending in this Court on the New Jersey appeal, and in the Circuit Court of Appeals for the Third Circuit (in *Timken-Detroit Axle Co. v. Alma Motor Co.*, thereafter decided, 144 F. (2d) 714).

On August 1, 1944, the three-judge court in Pennsylvania granted the Government's motion and dismissed the injunctive portions of appellant's complaint, holding that the case was "not to be distinguished" from the New Jersey action "in that the controversy of the private parties to

the action fails competently to raise a presently justiciable question as to the constitutionality of the Royalty Adjustment Act," and that the decision in the New Jersey action "correctly indicates the appropriate disposition to be made" of the Government's motion (No. 485, R. 64-65).^{*} Appellant appealed from this order, and the two cases (No. 71 and No. 485) were consolidated for argument in this Court.

SUMMARY OF ARGUMENT

1. The appellant has not shown an interest entitling him to equitable relief against payment by the defendants to the United States, by way of refund, of royalties found excessive pursuant to the Royalty Adjustment Act. The complaints do not indicate that voluntary payments by the defendants are imminent. Indeed, it is unlikely that such payments would be made while other

^{*} On August 8, 1944, Federal filed an answer in the Pennsylvania suit admitting that it owed appellant \$180,230.44 of the \$371,625.96 royalties claimed by appellant under the license agreement (No. 485, R. 60). This answer was filed a week after the Pennsylvania court had dismissed the injunctive portions of appellant's complaint, and accordingly replied to only those portions of appellant's complaint which were not dismissed—that is, the prayers for an accounting and money judgment. The United States did not in either court below, nor does it now, take any position as to appellant's right to an accounting or money judgment against Breeze or Federal or both. Since appellant has called upon this Court to review only the action of the court below striking the portions of the complaint relating to injunctive relief, the answer raises no new issues pertinent to this appeal.

actions by the appellant against the defendants for royalties are pending, as is the fact. Moreover, appellant has no proprietary interest in the amounts claimed to be owing to him as royalties. He is a simple contract creditor and there is not even an allegation that the defendants would be unable to make payment to appellant if they were to pay the United States. The appellant, furthermore, has an adequate remedy at law which he is actually pursuing through the suits against the defendants for royalties. In these circumstances a court will not be moved to entertain a suit for injunctive relief, particularly where the validity of an act of Congress is sought to be made the turning point of the case. Cf. *Moor v. Texas and New Orleans R. R. Co.*, 297 U. S. 101.

2. The interest of the defendants is not genuinely adverse to that of the appellant in these proceedings. The burden on the defendants is the same whether the Act and the orders pursuant to it are valid or invalid. The defendants must pay either to appellant or to the United States the royalties collected and found to be excessive. Whether, in order to avoid the risk of double liability, the defendants would prefer to submit to an injunction or to resist it, is conjectural. At all events, the antagonistic character of the defendants' interests with respect to the relief sought is too shadowy to support a case calling for the adjudication of constitutional issues. Cf. *Chicago & Grand Trunk Railway Company v. Well-*

man, 143 U. S. 339. The intervention of the United States did not create the requisite case or controversy. Cf. *United States v. Johnson*, 319 U. S. 302. There could be no reliance here on the Federal Interpleader Act since the defendants have not invoked it or offered to satisfy its conditions, and since in any event such a procedure would involve the issuance of an injunction against the United States which has not consented to be sued in that manner.

3. The proceedings in No. 485 were properly dismissed for the additional reason that they were barred under principles of *res judicata* by the decree in No. 71. In the two cases there is identity of relief sought, identity of grounds for relief, and identity of parties, since the defendant Breeze, served in No. 71, is the sole owner and the selling agent of the defendant Federal, served in No. 485. Cf. *Hart Steel Company v. Railroad Supply Company*, 244 U. S. 294.

4. The three-judge court was properly convened in each case. The injunctions would have suspended the operation of a federal statute and, unlike Section 266 of the Judicial Code, the Act of August 24, 1937, does not require that the injunction be directed specifically against Government officers. Direct appeal to this Court was proper although the decision in each case turned on non-constitutional grounds. Cf. *Sterling v. Constantin*, 287 U. S. 378. If the federal question sought to be raised in the complaints was too patently in-

substantial for the calling of a three-judge court, affirmance of the dismissal of the complaints would still be the most suitable disposition of the cases. *California Water Service Company v. City of Redding*, 304 U. S. 252.

ARGUMENT

Because of identity of issues in the New Jersey and Pennsylvania suits, they are treated in one brief. The Pennsylvania suit, however, presents the additional issue of *res judicata*, since it was begun after the New Jersey suit was decided. That issue will be discussed in Point III, pp. 48-59, *infra*.

We maintain that the courts below properly ruled that the validity of the Royalty Adjustment Act and orders may not be challenged in an injunction suit by a licensor against a licensee to prevent compliance with the orders. If we are mistaken as to this, we assume that the Court would remand the causes for hearing and determination of the constitutional issues, especially since these issues may require or justify the taking of evidence, both as to the factual foundation for the legislation and as to the liability of defendants to appellant for royalties even apart from the legislation, since in No. 71 such liability has been denied and in No. 485 the defendant is seeking to file an answer including a counterclaim. Cf. *Wilshire Oil Co. v. United States*, 295 U. S.

100. Accordingly, we shall not argue the validity of the Act and orders at this time, unless this Court requests that we do so.

PRELIMINARY ANALYSIS

Appellant's claim against Breeze and Federal is basically one for the payment of royalties alleged to be due under a license agreement.* The Royalty Adjustment Orders, issued under the Royalty Adjustment Act, declare that such royalties, if they total more than \$50,000 per year, at a specified rate, are unreasonable and excessive. The Act (Sec. 1) prohibits payment by the licensee to the licensor of any royalties in excess of that amount, provides that the licensor shall have no remedy against the licensee "for the payment of any additional royalty," but permits the licensor to sue the United States for any additional amount needed to make up "fair and just compensation" for the use made of his patented invention on behalf of the Government (Sec. 2). If the licensee has collected any of the excessive royalties from the United States, he is ordered to refund them; and in the future the contract price is to be reduced by the amount of the excess (Sec. 4).

* If appellant prevails in its claim for cancellation of the license, the Royalty Adjustment Act will cease to be applicable to subsequent manufacture or use by Breeze or Federal since such manufacture and use would be unlicensed (see Sec. 1 of Act).

The situation of appellant is thus that of a general creditor whose claim is declared by the Government to be excessive and partially uncollectible against the debtor (being replaced by a limited claim against the debtor plus a residuary claim against the United States for just compensation). The creditor, believing that the Government's orders reducing his claim are invalid, has an obvious remedy: he may disregard the Government's directions and sue his debtor at law for the full amount of his claim. In such a suit, the debtor may defend the claim on the merits, or he may assert that the Act and orders forbid payment to the creditor, whereupon the creditor will have a clear opportunity to challenge their validity.¹⁰ No penalties can attach either to the creditor or to his debtor as a result of that procedure. In the instant suits, the creditor has invoked this obvious remedy, having instituted two actions to recover the full amount alleged to be due (the New Jersey accounting suit, and the third cause of action in the Pennsylvania suit). As to these suits, the Government has raised no question. But the creditor has gone beyond that: he also asks that his debtor be enjoined from complying with the Government's direction to refund the

¹⁰ Unless the debtor invokes the Act and orders, he may run the risk of dual payment. But if the debtor prevails upon the merits in such a suit without relying upon the supervening directions from the Government under the Royalty Adjustment Act, the validity of the Act and orders would be a purely academic matter.

excessive royalties already collected from the United States. Yet if the debtor does make that refund, no possible damage to his creditor can ensue, since there is no contention that such payment would render the debtor unable to meet the creditor's claim in full. The debtor, on his part, has no interest in the validity or invalidity of the Act and orders, since in either event he must pay accrued and collected royalties either to the creditor or to the United States. The same is true of future royalties; if he is relieved of them, his price to the Government or to the Government contractor is reduced accordingly, while if he must continue to pay them, he will merely pass them on in the price. The debtor's only interest would be to avoid double liability, and from this point of view his interest in resisting rather than welcoming the injunction, and accordingly in defending the Act, would be conjectural at best.

These circumstances dispel any right to test the validity of the Act and orders by suit to restrain compliance therewith by the debtor. The absence of any legal injury to the creditor from such compliance; the lack of interest on the part of the debtor as to whether he is enjoined or whether the Act and orders are declared invalid—such factors have been uniformly held to preclude any right to an injunction for alleged invalidity of a federal statute. The reasons advanced by the courts for denying an injunction have varied: want of standing on the part of the plaintiff to

complain of defendant's compliance; adequacy of the legal remedy; absence of a sufficient adversary interest between plaintiff and defendant; lack of a "case or controversy;" and others. But regardless of the rule applied, the consistent conclusion has been that a plaintiff was not entitled in such circumstances to test the validity of the law by means of an injunction suit. This brief will discuss the applicable authorities according to the formula utilized. And as we shall show in Point II, pp. 44-47, the situation in which a debtor admittedly owing an obligation to either of two persons interpleads both in order to pay but once, is inapplicable here, first, because the debtor has not sought such relief or satisfied the conditions for granting it, and second, because the United States has not consented to be brought into such an interpleader.

I

APPELLANT HAS NO STANDING IN EQUITY TO CHALLENGE THE CONSTITUTIONALITY OF THE ROYALTY ADJUSTMENT ACT

Axiomatic is the want of judicial "power *per se* to review and annul acts of Congress on the ground that they are unconstitutional" (*Massachusetts v. Mellon*, 262 U. S. 447, 488; *Adkins v. Children's Hospital*, 261 U. S. 525, 544), as well as the reluctance of courts to decide "a question of constitutional law in advance of the necessity".

Liverpool, N. Y. & P. S. S. Co. v. Emigration Commissioners, 113 U. S. 33, 39; cf. *Ex Parte Garland*, 4 Wall. 333, 382; Brandeis, J., concurring, in *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288, 345. The sole ground which could be advanced by appellant for attacking the validity of the Royalty Adjustment Act and the orders issued pursuant thereto by means of an injunction against compliance by Breeze and Federal with the orders, is that appellant may suffer irreparable injury through compliance by the defendants with the direction to repay the excess royalties to the United States (No. 71, R. 5-7; No. 485, R. 10). The alleged unconstitutionality of the Government's directions does not relieve appellant of the necessity of bringing himself within the equitable jurisdiction of the courts in order to secure injunctive relief. *Dows v. Chicago*, 11 Wall. 108; *Cruikshank v. Bidwell*, 176 U. S. 73, 81; *Shelton v. Platt*, 139 U. S. 591, 594; *Boise Artesian Water Co. v. Boise City*, 213 U. S. 276, 281. "The fact that it would be convenient for the parties and the public to have promptly decided whether the legislation assailed is valid, cannot justify a departure from * * * established principles of equity practice," and those "seeking an injunction must bear the burden of showing danger of irreparable injury, as do others who seek that relief" (Brandeis, J., concurring, in *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288, 344-345).

It is plain that the requisite basis of equity jurisdiction is lacking here.¹¹

A. The action complained of is not sufficiently imminent

Appellant sought to enjoin Breeze and Federal from voluntary compliance with the Royalty Adjustment Orders (No. 71, R. 7-8; No. 485, R. 11). But there are no allegations that defendants were about to comply by repaying to the Government the excessive royalties already collected from it. The complaint in the New Jersey suit alleged that Breeze and Federal had scheduled a meeting of their officers and counsel to determine upon the course of action to be taken in light of the orders (No. 71, R. 5), but the complaint did not charge that either Breeze or Federal had complied or was about to comply with the orders, nor that they would have decided to comply with the orders at the scheduled meeting. Likewise, the Pennsylvania complaint does not allege that either Breeze or Federal is about to obey the orders; it merely alleges that unless Federal is restrained from compliance "Plaintiff fears" that "moneys due to him from the defendants may be paid over to the Treasurer of the United States and plaintiff may not be able hereafter to recover the same"

¹¹ The complaint in the New Jersey injunction suit did not even allege that irreparable injury would be caused appellant through compliance by Breeze and Federal (No. 71, R. 1-7), but the Pennsylvania complaint did so allege (No. 485, R. 10).

(No. 485, R. 9-10).¹² Moreover, it is highly unlikely that Federal or Breeze would voluntarily comply with the orders while suits are pending against them brought by appellant for the full amount of the royalties, in which suits the validity of the Act and orders can be tested.¹³ The Government could withhold future contract payments due to Federal or Breeze as a means of collecting their obligation under the Royalty Adjustment Orders, but it does not follow that either company will pay voluntarily and at once that which the Government could collect only gradually and in installments. This is especially true since if the Act or orders should be held invalid, Breeze and Federal will have their remedy to recover the payments withheld under other contracts. Cf. *Cruickshank v. Bidwell*, 176 U. S. 73, 81; fn. 20,

¹² Breeze's answer in the New Jersey suit denied that any royalties whatever were owing by it to appellant (No. 71, R. 56). Federal's answer in the Pennsylvania suit, filed after the order striking the injunctive portions of the complaint was entered, admits that certain royalties are due from it but asserts that the Royalty Adjustment Act and orders prohibit their payment to appellant, except as provided in said orders (No. 485, R. 59-60).

¹³ Federal's answer in the Pennsylvania suit asserts that the Act and orders prohibit payment of concededly accrued royalties (No. 485, R. 59-60). The validity of the Act and orders may thus be challenged by appellant in a reply or in a motion addressed to the pleadings. Appellant during the week of November 7, 1944, filed, in the Pennsylvania suit, a motion for summary judgment for some \$60,000, but to the extent that this is intended to cover only the royalties permitted by the Royalty Adjustment Orders, as is likely, their validity would, of course, not be in dispute.

pp. 34-35, *infra*. And, of course, the injunction sought in neither suit below could inhibit such deductions by the Government.

For these reasons, the action sought to be enjoined was certainly not "impending" (cf. *Pennsylvania v. West Virginia*, 262 U. S. 553, 593; *City Bank Farmers Trust Co. v. Schnader*, 291 U. S. 24, 34), but only "a mere possibility in the remote future" (cf. *Pierce v. Society of Sisters*, 268 U. S. 510, 536). Such considerations operate to preclude the use of the injunctive device as a means of challenging an act of Congress.

B. Appellant has no interest in preventing compliance by Breeze and Federal with the Royalty Adjustment Order.

Assuming that the complaints adequately allege the imminence of the action sought to be enjoined, the Government's motions to dismiss would then assume, for the purposes thereof, that the Act and orders are invalid, and that appellant's debtors, Breeze and Federal, are about to pay to the United States a sum called for by the orders, which Breeze and Federal should properly pay to appellant. This situation does not present the requisite grounds for injunctive relief because the payment of the excess royalties to the United States cannot damage appellant.

(1) *Appellant has no proprietary interest.*
The complaints in the district courts set up

merely a general indebtedness from Breeze and Federal to appellant (No. 71, R. 5; No. 485, R. 6, 12). There is no contention that this debt is secured by any fund or other *res*, or that defendants, in refunding excessive royalties to the Government, would be utilizing a fund earmarked or set aside for appellant. Thus, appellant is at most an unsecured contract creditor of Breeze and Federal. Moreover, there is no claim that such refund would render Breeze or Federal insolvent, or unable to meet their alleged debt to appellant."

In these circumstances, appellant has no legal interest in whether or not Breeze and Federal comply with the orders. Such compliance would not prevent appellant from recovering the royalties alleged to be due under the license agreement, for payment under an unconstitutional statute constitutes no discharge of another obligation. *International Harvester Co. v. Wisconsin Dept. of Taxation*, 322 U. S. 435, 440. And appellant, as "an unsecured simple contract creditor," has "no substantive right, legal or equitable, in or to the property of his debtor" such as would entitle

"Indeed, appellant's petition in this Court, filed May 26, 1944, for a stay pending appeal, tends to establish exactly the opposite since it refers to Breeze's annual report for 1943, which according to appellant "shows that [Breeze] is solvent and able to respond to any judgment that may be entered in favor of [appellant] or to comply with the Royalty Adjustment Orders should they be held to be valid."

him to equitable relief; hence his "adjective right is, ordinarily, at law". *Pusey & Jones Co. v. Hanssen*, 261 U. S. 491, 497 (suit for appointment of receiver). Without a lien or specific claim on a *res* in the hands of the alleged debtor, and without even a judgment at law covering the claim, appellant may not invoke the powers of a court of equity to protect or enjoin the transfer of any *res* in the hands of the debtor. See *Martin v. James B. Berry Sons' Co.*, 83 F. (2d) 857, 860 (C. C. A. 1) and cases cited; *Gillespie v. Schram*, 108 F. (2d) 43 C. C. A. 6).

This Court has exercised extreme caution in defining the boundaries of interests in equity which would permit an attack upon a statute. In *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288, while preferred stockholders were permitted to maintain a suit to enjoin the corporation from complying with an allegedly unconstitutional statute, this Court pointed out that the action was brought by stockholders who "are not creditors but shareholders (with equal voting power share for share with the common stockholders, according to the findings)" and who thus "have a proprietary interest in the corporate enterprise which is subject to injury through breaches of trust or duty on the part of the directors" (297 U. S. at 321).¹⁵

¹⁵ *Carter v. Carter Coal Co.*, 298 U. S. 238, involving the right of a common stockholder to enjoin the corporation from complying with an allegedly unconstitutional statute, is

(2) *Appellant has an adequate remedy at law.* Appellant does not deny, as the court below observed, that the present action "has for its ultimate object the protection of the plaintiff's contractual right to the royalties fixed by the license agreement and due and to become due thereunder" (No. 71, R. 68). This very right is presently being pursued by appellant against Breeze in an independent action in the District Court of New Jersey (No. 71, R. 20-25), and against Federal in the action in the District Court for the Western District of Pennsylvania (No. 485, R. 5-10). But even if these suits were not pending, the availability of such a remedy is "a plain, adequate, and complete remedy * * * at law" which is fatal to the right to injunctive relief in any federal court. Section 267 of the Judicial Code (28 U. S. C. 384); *Hurley v. Kincaid*, 285 U. S. 95, 105; *Schoenthal v. Irving Trust Co.*, 287 U. S. 92, 94; *Boise Artesian Water Co. v. Boise City*, 213 U. S. 276, 283. In the present case, there can be no doubt, as the New Jersey District Court held (No. 71, R. 68-69), that appellant's remedy at law is both complete and adequate.

A striking parallel to the instant case is furnished by *Moor v. Texas and New Orleans R. R. Co.*, 297 U. S. 101. There a cotton producer sought a mandatory injunction to compel a rail-
 therefore not an authority for the instant suit. Also distinguishable is *Z. & F. Assets Realization Corp. v. Hull*, 311 U. S. 470 (action by lienor).

road to accept certain shipments of cotton which lacked bale tags required by the Bankhead Cotton Control Act, contending that Act to be unconstitutional. The lower court held that the producer had failed to make a case for equitable relief and should be left to his remedy at law for damages (75 F. (2d) 386, 388):

* * * For a wrongful refusal by the [railroad] to accept and transport lawful goods duly tendered by the [producer], the latter had his action at law for damages resulting to him from that wrong. * * *

In the absence of any allegation as to the solvency or insolvency of the [railroad], it is presumed to be solvent and subject to be coerced into paying damages adjudged against it in favor of [the producer].

This Court dismissed the writ of certiorari as "improvidently granted," approving the lower court's determination as to the adequacy of the legal remedy and the consequent unavailability of equitable relief (297 U. S. at 105). So here, if appellant's contention as to the invalidity of the Act and orders is well taken, payment by Breeze and Federal as directed by the Royalty Adjustment Orders will not discharge their alleged debt to appellant, and will not prejudice their ability to pay any judgment obtained by appellant in the pending suits.¹⁶ Here, indeed, appellant's legal remedy is even more clearly adequate, since it would not be a substituted claim for damages but

¹⁶ See note 14, p. 27, *supra*.

a claim for an agreed money payment. As an alleged contract creditor, appellant's "only substantive right" is "to have his debt paid in due course," and his "adjective right is, ordinarily, at law. He has no right whatsoever in equity until he has exhausted his legal remedy." *Pusey & Jones Co. v. Hanssen*, 261 U. S. 491, 497.

(3) *Prejudice to Breeze and Federal, if any, is immaterial.* As we have shown, neither Breeze nor Federal need suffer as a result of the Royalty Adjustment Orders, for they need not pay either appellant or the United States until an adjudication is had as to the validity of the Act;¹⁷ and if the United States withholds funds otherwise due those companies, they will have a right to recover the withheld amounts. But even if Breeze or Federal might be prejudiced as a result of compliance with the orders, that fact creates no equity in appellant's favor nor justifies the instant suit.

In order to invoke "the preventive powers of a court of equity," a litigant must show that the threatened action invades a right which he possesses and to which the law affords protection. *Alabama Power Co. v. Ickes*, 302 U. S. 464, 478; *Tennessee Power Co. v. Tennessee Valley Authority*, 306 U. S. 118, 137-138. He must rely upon an invasion of his own constitutional rights (*Austin v. The Aldermen*, 7 Wall. 694; *Fairchild v.*

¹⁷ On August 1, 1944, the Act was held valid by the Circuit Court of Appeals for the Third Circuit. See note 2, p. 7, *supra*.

Hughes, 258 U. S. 126); he may not urge the interest of another (Tyler v. Judges of the Court of Registration, 179 U. S. 405; *Massachusetts v. Mellon*, 262 U. S. 447, 488; *New York ex. rel. Hatch v. Reardon*, 204 U. S. 152).

These factors—absence of sufficient immediacy of the action sought to be enjoined, absence of legal interest in appellant in whether defendants comply with the orders, and adequacy of remedy at law—combine to preclude any right to an injunction in the circumstances of the instant cases. As was said in *Arkansas Building Association v. Madden*, 175 U. S. 269, 274:

It is quite possible that in cases of this sort the validity of a law may be more conveniently tested, by the party denying it, by a bill in equity than by an action at law; but considerations of that character, while they may explain, do not justify, resort to that mode of proceeding.

II

THERE IS NO ADVERSITY OF INTEREST BETWEEN PLAINTIFF AND DEFENDANTS AS TO THE CONSTITUTIONALITY OF THE ACT AND ORDERS

A. *There is no antagonistic assertion of rights with respect to an injunction*

Focussing upon the defendants instead of the plaintiff, we submit that the present suits do not present such adverse interests as this Court has deemed essential for the determination of the constitutionality of an act of Congress.

In the New Jersey suit, before the court below ruled on the Government's motion to dismiss the complaint, Breeze answered that it did not owe any royalties to either appellant or the United States, and that whether the Royalty Adjustment Act "is valid or invalid is a matter which is immaterial to this defendant for the reason that it owes the plaintiff no money as royalties or otherwise" (No. 71, R. 56).¹⁸ In the Pennsylvania suit, the answer filed by Federal took no position as to the allegations in the complaint that the Act and orders were invalid (No. 485, R. 58), admitted that certain royalties were due under the license, but asserted that payment thereof to appellant was prohibited by the Royalty Adjustment Orders except the amounts provided in said Orders, which are the amounts and the only amounts admitted to be now due and owing by this defendant. (No. 485, R. 60.) But the undeniable fact is that neither Federal nor Breeze has any interest in sustaining the Royalty Adjustment Act and the orders issued thereunder against attack in the injunctive proceedings. While appellant may benefit from a declaration that the Act and orders are unconstitutional, this is wholly immaterial either to Breeze, which denies it owes any royalties, or to Federal, which admits it owes some. If

¹⁸ While Breeze's answer is not strictly pertinent to the dismissal of appellant's complaint by the court below, on motion of the United States made prior to the answer, that pleading is a reliable guide to the extent of Breeze's interest in the validity of the Act and orders.

the royalties were properly reduced under the Act, royalties up to \$50,000 per year will be payable to appellant, the balance to the United States. If the Act and orders are invalid, all will be payable to appellant. In neither case will Breeze or Federal suffer, for the Act permits reduction only of royalties charged or chargeable directly or indirectly to the United States (Sees. 1, 4); hence under their contracts with the United States and with other Government contractors, royalties properly paid by Breeze or Federal will be passed on to the United States.¹⁹ Consequently, whether all the royalties are due to appellant, or whether they must be paid in part to appellant and in part to the Government, Breeze and Federal will suffer no loss or damage. And neither company is under any duress to comply with the Act; there is no fine or penalty for failure to repay the excessive royalties to the Government.²⁰

¹⁹ Neither Breeze nor Federal can benefit from the royalty reduction since it will be inapplicable to commercial transactions not involving the United States.

²⁰ At the date of the filing of this brief, neither Breeze nor Federal has complied with the Royalty Adjustment Orders. If Breeze and Federal voluntarily comply with the orders by paying the royalties in question to the Treasurer of the United States, a subsequent declaration that the Act and orders are invalid, which would obligate Breeze and Federal to pay the same royalties to appellant, would not prejudice them. For the Royalty Adjustment Board has advised us that in "cases in which the amounts due the Government under orders of the Board are uncertain or disputed or otherwise in doubt," the Board will arrange to "have any monies paid in such cases deposited in a 'Special Deposit' account pending de-

Indeed, so far from having any interest in defending the Act and orders against attack, both Breeze and Federal would profit by the issuance of an injunction, particularly one *pendente lite*, since the restraint would permit them to defer payment of conceded obligations.

The conduct of Breeze and Federal in the proceedings below confirms their unconcern in the outcome, their preference for the issuance of interim restraint, and the general nonadversary character of the suit. The only affirmative action taken by Breeze throughout the entire proceeding below was the filing of an answer denying it owed royalties to either appellant or the United States and stating that the validity of the Act and orders was "immaterial" to it. Breeze did not participate in the oral argument before the court below, filed no briefs, and made no effort to argue for the Act or orders. Likewise, Federal, while set-

termination of the rights of the Government and the licensor to such funds," and "that upon a final determination of the rights of the Government and the licensor to such funds, disbursements of the funds in the 'Special Deposit' account could be made pursuant to an administrative direction of the Board * * *." See Appendix C, *infra*, pp. 80-81. Cf. *Kingan & Co. v. Smith*, 12 F. Supp. 329, 331 (S. D. Ind.), where a similar procedure was adopted. The Board also advises us that in the instant case, pursuant to direction of the Board, \$59,942.60 has been withheld from Breeze from moneys due it on Government contracts (as of September 4, 1944), and that if "it is later determined that the withholding is improper, the contractor is entitled under his contract to receive the sums so withheld." Appendix C, *infra*, p. 80.

ting up the Act and orders as a defense to non-payment of royalties to appellant, took no position as to their validity, and did not argue or file a brief on the constitutional question.²¹

Circumstances such as these have led this Court to decline to rule upon the constitutionality of federal enactments because of the nonadversary nature of the proceeding. In *Chicago & Grand Trunk Railway Co. v. Wellman*, 143 U. S. 339, a state statute compelled a passenger rate reduction, and on the day the law took effect, a passenger applied for a railroad ticket at the reduced rate, which was refused by the carrier. The passenger immediately commenced suit to compel issuance of the ticket and to determine the validity of the statute on an agreed statement of facts plus the testimony of two witnesses for the railroad; the railroad conceded that the suit was friendly but insisted there was no fraud in presenting the testimony. This Court nevertheless held that the state court, which had affirmed a money judgment for the plaintiff, had properly refused to pass upon the Act's validity (143 U. S. 344, 345):

The theory upon which, apparently, this suit was brought is that parties have an appeal from the legislature to the courts; and that the latter are given an immediate and general supervision of the constitu-

²¹ Both the New Jersey and the Pennsylvania courts called for argument and briefs as to the validity of the Act and orders. Appellant presented argument and briefs against validity; the Government presented argument and briefs to the contrary.

tionality of the acts of the former. Such is not true. Whenever, in pursuance of an honest and actual antagonistic assertion of right by one individual against another, there is presented a question involving the validity of any act of any legislature, State or Federal, and the decision necessarily rests on the competency of the legislature to so enact, the court must, in the exercise of its solemn duties, determine whether the act be constitutional or not; but such an exercise of power is the ultimate and supreme function of courts. It is legitimate only in the last resort, and as a necessity in the determination of real, earnest and vital controversy between individuals. It never was thought that, by means of a friendly suit, a party beaten in the legislature could transfer to the courts an inquiry as to the constitutionality of the legislative act.

Likewise, in *Moor v. Texas and New Orleans R. R. Co.*, 297 U. S. 101, *supra*, p. 29, the defendant railroad filed an answer invoking the Act as a defense, but its participation in the proceedings was of a most perfunctory character. It introduced no evidence in the district court and did not appear before the circuit court of appeals (297 U. S. 105; Record in No. 49, October Term, 1935, p. 76). The Fifth Circuit Court of Appeals, in sustaining the trial court's dismissal of the bill, pointed not only to the adequacy of the shipper's legal remedy, but also to "the absence from the suit of any party defendant having a beneficial interest in resisting

the claim asserted, with the probable result of the court being deprived of the benefit of an adequate presentation of reasonably controversial objections to the granting of the relief sought". (75 F. (2d) 386, 390). This Court dismissed the writ of certiorari but approved the denial of injunctive relief (297 U. S. at 105).

It is submitted that the principles of the *Wellman* and *Moor* cases are applicable here. While both of those cases involved a dispute between the parties (in the *Wellman* case, the proper price of a railroad ticket; in the *Moor* case, whether the railroad could refuse to accept the cotton for shipment); the real issue in those cases—the constitutionality of the statute—remained uncontested. So here, while appellant and respondents Breeze and Federal may differ as to whether unpaid royalties are due under the license agreement, they are not at effective odds as to the constitutionality of the Royalty Adjustment Act and the orders issued thereunder. Since the latter issue is not shown herein to involve "an honest and actual antagonistic assertion of rights by one individual against another," there is no more warrant for deciding the constitutional question here than was found in the *Wellman* or *Moor* cases.

Appellant argues (Br. 21) that the Pennsylvania action is "a case or controversy between the appellant and Federal, not merely as to the amount due under the contract but also as to the validity and effect of the Royalty Adjustment orders," be-

cause Federal's answer admitted that some \$180,000 was due from it under the 1932 license but asserted that the orders prohibit payment except as therein provided (No. 485, R. 60). This argument overlooks the fact that Federal's answer was not addressed to the injunctive portion of the complaint. The answer was filed after the court below had dismissed, on motion of the United States, the portions of appellant's complaint which sought injunctive relief (No. 485, R. 64-65). The order of dismissal left intact the remainder of the complaint (to which the United States had directed no motion or pleading),²² seeking an accounting, money judgment, and cancellation of the license. It was to these portions of the complaint, still pending in the court below, that Federal filed its answer on August 8, 1944 (No. 485, R. 64), one week after the dismissal of the injunctive portions of the complaint.²³ Insofar as the answer asserts the Act and orders as a defense to appellant's claim, the Government does not contend that the issue of constitutionality cannot be tried out on

²² The United States, in its brief below in support of its motion to dismiss the injunctive portions of appellant's complaint, stated that it "takes no position and expresses no opinion" as to the noninjunctive relief sought by appellant.

²³ Appellant's brief suggests that the answer of Federal was filed prior to the dismissal of the injunctive portions of appellant's complaint (Bs. 13-14). The record shows the opposite to be true (No. 485, R. 52-53, 64-65, 54-64). That Federal's answer was filed on August 8, 1944, appears from the Clerk's notation on that answer (No. 485, R. 64).

such pleadings, in the suit for a money judgment. For in such a situation the defendant must plead the Act and orders as a defense, or run the risk of double liability. It is true that even in that situation the defendant would not be substantially concerned with the outcome, upon intervention by the United States, since he would pay royalties only once upon the basis of the final decision; but since the defendant would have properly pleaded the Act and orders as a defense, as a matter of his own protection, and since the Government under the 1937 Act may supply whatever conviction may be lacking in the defendant's support of the statute, we believe that the issue of constitutionality would remain justiciable in such litigation upon intervention of the United States.

In an injunctive suit, on the other hand, the interest of the defendants is ambivalent. Temporary restraint against payment to the Government would hardly be resisted by the defendants. Permanent restraint might be resisted only if it were deemed to carry with it a binding determination that royalties were due to the plaintiff, and if the Government would not be bound by that determination. But against this risk there would be weighed the unlikelihood of the same or another court requiring the defendants to make payment in the face of a prohibitory injunction and thus compelling them to commit a contempt. This balance of hypothetical interests falls short of that definitely antagonistic assertion of rights which

must attend the adjudication of constitutional issues. Certainly this is so where, as has been pointed out, the plaintiff himself stands in no need of the relief sought.

Moreover, the possibility of double liability can be forestalled by the defendants. They may seek a restraining order or a stay to suspend the suit by the patent owner for royalties until the Government intervenes, or the validity of the Act has been adjudicated in a suit to which the Government is a party. This would impose no hardship upon the plaintiff or defendants; since a suit binding the United States would include not only one in which it intervened pursuant to the 1937 Act, or one brought by it to recover the refund of royalties due under the Royalty Adjustment Orders, but one brought by the defendant itself to recover payments concededly due from the Government under other contracts but withheld, as some have in fact been in the present case, as a means of collecting the refunds under the orders. In *Landis v. North American Company*, 299 U. S. 248, this Court approved a stay of proceedings to abide proceedings in another court, although the parties were not the same and the issues not identical; the interest in an orderly determination of a constitutional question justified the stay. In the present case, particularly since the defendants themselves have it in their power to secure an adjudication of the constitutional question in an action against the United States to recover withheld

funds, an interim stay or restraining order suspending the plaintiff's suit, on condition that the defendants diligently prosecute suit against the Government, would appear to be as plainly justified. Consequently, any possibility of double liability on the part of the defendants—a circumstance which under any conditions would not be an equitable consideration which the plaintiff could assert—could be obviated by suitable action.

The intervention of the United States did not create the requisite "case or controversy" which was wanting because of the lack of genuinely adverse interests. The Government intervened in the suits below in response to a certification that the constitutionality of an Act of Congress had been challenged in a "suit or proceeding" or to which the Government was not a party. The 1937 Act under which both certification and intervention took place was designed to protect the interests of the public in legislation under attack in a suit in which there was no governmental representation, and to eliminate the dangers of one-sided or friendly litigation instituted to obtain a decision against the constitutionality of an Act of Congress.²⁴ One obvious way of defending

²⁴ Cf. *Burco Inc. v. Whitworth*, 81 F. (2d) 721 (C. C. A. 4), certiorari denied, 297 U. S. 524. That case, in which the Government urged, *as amicus curiae*, that the interests of the parties were not truly adverse and that the validity of the Public Utility Holding Company Act should not be determined therein, was referred to in the debates preceding the enactment of the Act of August 24, 1937. See 81 Cong. Rec. 3272.

an Act of Congress—a method open to any litigant—is to point out a want of jurisdiction in the court. If no “case or controversy” is presented by the suit in which the federal statute is assailed, the statute may be saved merely by calling that defect to the court’s attention. Because the Government cannot risk the possibility that neither party may raise that jurisdictional ground, it must intervene in order to do so. Intervention cannot, however, cure the jurisdictional defect. The 1937 Act was not intended to stimulate attacks upon federal statutes through proceedings over which the courts normally have no jurisdiction.

In *United States v. Johnson*, 319 U. S. 302, the United States intervened under Section 1 of the 1937 Act, in a collusive suit arranged by landlord and tenant in order to test the constitutionality of the Emergency Price Control Act. When the collusive nature of the litigation was brought to the attention of this Court, the suit was dismissed despite the intervention and the adverse interests of the Government and the plaintiff. The “right to intervene presupposes an action duly brought, and if jurisdiction is lacking at the commencement of the suit, it cannot be aided by * * * intervention;” nor may intervention “be regarded as an original proceeding for the purpose of sustaining jurisdiction from the date the petition to intervene was granted.” *Pianta v. H. M. Reich Co.*, 77 F. (2d) 888, 890 (C. C. A. 2). See also

Texas Cement Co. v. McCord, 233 U. S. 157. Particularly in constitutional cases, as the *Johnson* decision makes clear, intervention by the United States does not cure the want of adverse interests with respect to the relief sought; the importance of the preliminary questions causes the case to remain an unsuitable and unsafe vehicle in which to proceed to the decision of the constitutional issues. In "the absence of a genuine adversary issue between the parties," a court "may not safely proceed to judgment, especially when it assumes the grave responsibility of passing upon the constitutional validity of legislative action." *United States v. Johnson*, 319 U. S. 302, 304.

B. The Federal Interpleader Act does not apply

Although not raised by the court or any of the parties to the proceedings in the courts below, the nature of this case and the relationship of the parties warrants some discussion of the relevance of the Federal Interpleader Act (c. 13, 49 Stat. 1096; 28 U. S. C. 41 (26)).

The Interpleader Act gives jurisdiction to federal district courts over "suits in equity begun by bills of interpleader or bills in the nature of bills of interpleader" filed by persons possessing property of the value of \$500 or more if—

- (1) Two or more adverse claimants, citizens of different States, are claiming to be

entitled to such money or property * * * ;
and

(ii) The complainant (a) has deposited such money or property * * * into the registry of the court * * * or (b) has given bond payable to the clerk of the court in such amount. * * *

The district court is then empowered "to issue its process for all such claimants and to issue an order of injunction" enjoining them from "instituting or prosecuting any suit or proceeding" in any State or Federal court "on account of such money or property" (subsec. (c)). After hearing the merits of the controversy between the interpleaded parties, the court may then "discharge the complainant from further liability" and make the injunction permanent (subsec. (d)). The Act permits interpleader to be used by a defendant "by way of equitable defense" in the same manner as would entitle such person "to file an original or ancillary bill of interpleader or bill in the nature of interpleader" (subsec. (e)). Rule 22 (1) of the Federal Rules of Civil Procedure, implementing the Act, provides that it shall not be ground for objection to interpleader that the stakeholder "avers that he is not liable in whole or in part to any or all of the claimants," and permits a "defendant exposed to similar liability" to obtain such interpleader by way of cross-claim or counterclaim.

This statute is inapplicable here for several reasons. (1) The parties corresponding to the

stakeholder are here Breeze or Federal, and neither of them has sought to interplead the United States and appellant, or offered to pay the disputed royalties to the Clerk of the court below. Moreover, at least one of the debtors here—Breeze—denies owing any royalties to either appellant or the United States (No. 71, R. 56) and might not be willing to invite conflicting claims against it for moneys alleged not to be due to anyone.

(2) Neither the Interpleader Act nor the equitable nonstatutory interpleader permits a creditor like appellant on his own motion to interplead his debtor and an opposing creditor, here the United States. The interpleader device is designed to protect a stakeholder threatened with conflicting claims, and not an alleged creditor, who is in no sense a stakeholder of the debtor's property.

(3) There is no authority in the Interpleader Act or otherwise, for the court to "issue its process" to interplead the United States as a party to such a proceeding or to enjoin the United States from proceeding in any other forum against the stakeholder (subsec. (c)). The effect of such an interpleader would be that of a suit against the United States to which it had not consented, and the Federal Interpleader Act does not permit the interpleading of a Government which has not waived its sovereign immunity. In *Worcester County Co. v. Riley*, 302 U. S. 292, 300, an

attempted interpleader against officers of political subdivisions of states to settle rival claims to death taxes was held to be an unauthorized suit by an individual against the states, which the Eleventh Amendment forbids. Cf. *United States v. Shaw*, 309 U. S. 495. The Act of August 24, 1937, in facilitating intervention by the United States in constitutional cases, did not, of course, enlarge the consent of the United States to be sued.

C. *The prayer for a declaratory judgment does not cure the jurisdictional defect*

Paragraph 3 of the complaint in the New Jersey suit (No. 71, R. 8) may perhaps be read as a request for a declaratory judgment. If this was intended to invoke the Federal Declaratory Judgment Act (Act of June 14, 1934, 48 Stat. 955; 28 U. S. C. 400), although that Act was nowhere cited, this would not add to the jurisdiction of the court below to grant relief. That Act applies only to "cases of actual controversy" in the district courts, a phrase which "has regard to the constitutional provision and is operative only in respect to controversies which are such in a constitutional sense." *Aetna Life Ins. Co. v. Haworth*, 300 U. S. 227, 239-240. Being procedural only, the Federal Declaratory Judgment Act does not enlarge the jurisdiction of the district courts. *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288, 324, 325; *Electric Bond & Share Co. v. Securities and Exchange Commission*, 303 U. S. 419, 443.

III

THE PENNSYLVANIA INJUNCTION PROCEEDINGS WERE
BARRED UNDER PRINCIPLES OF RES JUDICATA.

As shown in our Statement of Facts (*supra*, pp. 12-13), appellant sought several types of relief in his complaint filed against Federal in the District Court for the Western District of Pennsylvania:²⁵ (1) an injunction to restrain Federal from paying royalties, alleged to be due appellant, to the Treasurer of the United States in compliance with the provisions of the Royalty Adjustment Orders, on the ground that the Act and orders are invalid (No. 485, R. 11, par. 32 (3)); (2) an accounting and judgment for royalties allegedly owing to appellant by Federal under the license (No. 485, R. 4-5, 11, 12, pars. 16-17, 32 (1), 32 (2), 35); and (3) termination of the license agreement for violations thereof (No. 485, R. 11, par. 32 (5)). As to the noninjunctive relief, the United States took no position in the court below, and does not do so now.²⁶ The court below dismissed the portions of the complaint relating to injunctive relief (No. 485, R. 7-11, pars. 24-30, 32, and subparagraphs (3) and (4) of paragraph 32)

²⁵ While Breeze was named as a party defendant, it was not served and entered no appearance.

²⁶ After the court dismissed the injunctive portions of the complaint on August 1, 1944 (No. 485, R. 64), Federal filed an answer dated August 8, 1944, admitting that it owed appellant \$180,230.44 under the license agreement but asserting the Act and orders as a defense to payment of any sum not authorized by the orders (No. 485, R. 54-60).

because the relief sought by appellant therein was "not to be distinguished" from the relief sought by him in the New Jersey suit (No. 485, R. 64). This determination of the Pennsylvania court is clearly proper, not only because the right to an injunction in that suit must fail for all the reasons applicable to the New Jersey injunction suit, but also because the decision in the New Jersey suit was *res judicata* as to the Pennsylvania suit, and precluded its maintenance.

A. *The joining of the causes of action for an injunction with those for other types of relief does not supply defects in equitable jurisdiction*

That the allegations and prayer for injunctive relief are joined with those for a money judgment, an accounting and cancellation, does not supply the deficiencies which would prevent the exercise of equitable jurisdiction. An injunction requires a showing of inadequacy of legal remedy and the danger of irreparable injury; these requirements are obviously not met by prayers for additional relief, however merited the latter may be. The function of an injunction as ancillary to other relief is a restricted one, and is normally exercised only where it is required to make the other relief effective. In *Gillespie v. Schram*, 108 F. (2d) 39 (C. C. A. 6), a receiver of a national bank brought suit for an accounting against the administratrix of a deceased stockholder's estate to determine the share of a bank stock assessment which the estate should bear; and as ancillary to this, the receiver

also sought an injunction to restrain the administratrix from closing administration and distributing the assets without making provision for the payment of a stock assessment. The injunction was denied, the court saying (108 F. (2d) at 42):

Appellee's right to injunction must fail as an ancillary aid to his main relief because there is no fact alleged showing that he lacks an adequate and complete remedy at law or will suffer irreparable injury. * * *

* * * Chancery cannot be appealed to until the creditor has faithfully exhausted all his remedies at law and will not take original cognizance of mere collection of debts but acts as an auxiliary to courts of law where their processes fail to supply the remedy because intercepted or defeated by some inequitable act of the parties. *Scott v. Neely*, 140 U. S. 106, 117 * * *; *Hollins v. Brierfield Coal & Iron Co.*, 150 U. S. 371, 381 * * *; *Adler et al v. Fenton, et al.*, 65 U. S. 407, 411 * * *.

B. The Judgment of the Three-Judge Court in New Jersey Was Res Judicata as to Injunctive Relief in the Pennsylvania Suit

The doctrine of *res judicata* is of course as applicable to judgments and decrees in equity as to those at law. *Sibbald v. United States*, 12 Pet. 488, 492; *Hopkins v. Lee*, 6 Wheat. 109, 113-114. It extends "to questions of jurisdiction as well as to other issues, as well to jurisdiction of the

subject matter as of the parties." *Treimies v. Sunshine Mining Co.*, 308 U. S. 66, 78. And the pendency of an appeal from a judgment does not prevent it from being *res judicata*. *Cohen v. Superior Oil Corp.*, 90 F. (2d) 810 (C. C. A. 3), certiorari denied, 302 U. S. 726; *Simonds v. Norwich Union Indemnity Co.*, 73 F. (2d) 412 (C. C. A. 8).²⁷

The "essential conditions" to the application of the doctrine of *res judicata* are "the identity of the thing demanded, the identity of the cause of the demand, and of the parties in the character in which they are litigants." *Washington, A. & G. Steam-Packet Co. v. Sickles*, 24 How. 333, 341, 342. We believe that these "essential conditions" applied to the Pennsylvania suit, and that the judgment of the three-judge court in New Jersey, denying appellant's prayer for an injunction and dismissing his complaint, was *res judicata* as to the Pennsylvania suit insofar as it sought the relief denied in New Jersey.

1. *Identity of Relief Sought.* In his Pennsylvania complaint appellant sought an injunction to restrain Breeze and Federal "from in any way complying with the terms of Royalty Adjustment Orders designated as Nos. W-9 and N-7, and es-

²⁷ It is only when reversed on appeal that a judgment loses its efficacy. *Cohen v. Superior Oil Corp.*, *supra*, at 812. Here the order of the three-judge court denying appellant an injunction was final, and this Court thereafter refused to grant a temporary injunction pending disposition of the appeal.

pecially from paying over to the Treasurer of the United States * * * such royalties as have accrued and are continuing to accrue to plaintiff from and after the date of said orders" (No. 485, R. 11, par. 32 (3)). In the complaint in the New Jersey injunction suit, appellant likewise prayed for an injunction to restrain Breeze and Federal "from complying with paragraph (3) of Royalty Adjustment Order No. W-9 and * * * No. N-7, and in particular from paying * * * to the Treasurer of the United States or to any other person * * * than the plaintiff, pursuant to the command of said Orders, any royalties due to appellant or which thereafter become due (No. 71, R. 7).

2. *Identity of Grounds for Relief.* Both the complaint in the Pennsylvania suit and the complaint in the New Jersey injunction suit charged that all royalties which have accrued or may hereafter accrue under the license agreement are due to appellant; and that the Royalty Adjustment Act and Royalty Adjustment Orders Nos. W-9 and N-7 are null and void. The complaint in the New Jersey suit categorically charged that the Act and Orders are unconstitutional because, *inter alia*, they take appellant's property without just compensation in contravention of the Fifth Amendment; because the Act "attempts to deprive the plaintiff of all remedy * * * against the defendants for the payment of the royalties" and "relegates the plaintiff to an action

against the United States" for "fair and just compensation," giving the United States the right to a defense (invalidity) which "would not be open or available to the defendants herein" (No. 71, R. 5-6). The complaint in the Pennsylvania action charged "that there is no authority in the Royalty Adjustment Act" for an order "requiring either defendant herein to pay plaintiff's money to the Treasurer of the United States;" that such requirement in the Royalty Adjustment Orders is unauthorized by the Act "and to that extent is null and void;" and "that the cause of action pretended to be given him by said Royalty Adjustment Act to sue the United States in the Court of Claims is not an adequate substitute for the rights that have accrued and are accruing to him under his contract aforesaid and are destructive of said contract" (No. 485, R. 9-10, par. 30).²⁸

While the attack upon the Act in the Pennsylvania complaint was not as unequivocal as that in the New Jersey complaint, there is no doubt that

²⁸ The similarity between the two complaints may be seen from the following chart comparing the complaint filed by the appellant in the Pennsylvania suit (No. 485, R. 1-12), and the complaint filed by the appellant in the New Jersey suit (No. 71, R. 1-8).

Subject Matter	Pennsylvania Complaint	New Jersey Complaint
Factual background	Pars. 1-8	Par. 1-4
Royalties are due Coffman	Pars. 16-23, 34	Pars. 5-7, 9
Royalty adjustment proceedings	Pars. 24-26	Pars. 8, 10, 11
The Act and Orders are invalid	Pars. 27-28, 30-31, 32	Par. 12

appellant there assailed the validity of the Act and the Orders and sought a judicial declaration of invalidity. This clearly appeared from the complaint (No. 485, R. 11, par. 32 (4)), which asked that a three-judge court be convened and that the Attorney General be notified "of a hearing on this bill, all as required by the act of Congress of August 24, 1937, 8 U. S. C., Title 28, Sec. 380a." And the order issued in the Pennsylvania case by Judge Gibson on June 14, temporarily restraining compliance with the Royalty Adjustment Orders, refers to a prayer in the complaint for a declaration that the Royalty Adjustment Act is unconstitutional, and orders that a copy of the complaint and restraining order be served upon the Attorney General and the United States Attorney (No. 485, R. 47).

In the Pennsylvania complaint appellant alleged that he will suffer "irreparable damage" unless defendants are enjoined from complying with the Orders, and that his remedy at law is inadequate (No. 485, R. 10, par. 32). While these allegations are absent from the New Jersey complaint, it is obvious that the operative facts and circumstances underlying the alleged "irreparable damage" were the same at the time of the Pennsylvania suit as they were when the New Jersey suit was brought. Breeze and Federal had not at the time of the New Jersey suit, had not at the time of the Pennsylvania suit, and have not yet, paid any royalties covered by the Orders to either

appellant or to the United States. The New Jersey accounting suit was then and still is pending, and the United States did not direct any motion toward the accounting aspects of the Pennsylvania suit. If the Act and Orders are unconstitutional, as appellant charges, he was as free at the time of the Pennsylvania suit as he was when the New Jersey suit was decided, and as he is now, to prosecute his accounting suits to judgment against Breeze and Federal for any royalties due him.

The three-judge court in New Jersey, in dismissing the complaint, relied upon the adequacy of appellant's legal remedy against defendants for accrued royalties if the Act is unconstitutional (No. 71, R. 68-69). Obviously, appellant could not evade the salutary principle of *res judicata* by making different conclusory allegations based upon identical facts. For it is settled that "mere allegations of irreparable injury will not suffice to warrant an injunction. Facts must appear on which the allegation is predicated." *Electric Bond & Share Co. v. Securities & Exchange Comm.*, 92 F. (2d) 580, 593 (C. C. A. 2), affirmed 303 U. S. 419.

There was thus an identity of the facts and reasons adduced in the New Jersey and Pennsylvania suits to support the injunctive relief sought.

3. *Identity of Parties.* Both the New Jersey injunction suit and the Pennsylvania suit were instituted by Coffman against Breeze and Federal. While Federal was served in the Pennsylvania

suit, and was not served and did not appear in the New Jersey suit, that fact did not prevent the New Jersey judgment from being *res judicata* in the Pennsylvania court in view of the privity between Breeze and Federal.

Appellant himself alleges, in both the New Jersey and Pennsylvania complaints, that Breeze "purchased all of the issued and outstanding common capital stock of * * * Federal * * * and became, has been and now is the sole owner thereof and dominates and controls all the business and policies of defendant Federal * * * as the sole owner of such corporation" (No. 485, R. 2; No. 71, R. 2). Moreover, Federal in 1937 and in 1939 employed Breeze to manufacture devices under Coffman's patent on the basis of cost plus 10% and appointed "Breeze as exclusive sales agent and distributor for Coffman starters, accessories and cartridges" (No. 485, R. 61-64). This close relationship between Breeze and Federal, and the former's full control and ownership of the latter, make them one and the same for purposes of the application of the doctrine of *res judicata*. Indeed, these elements of privity would justify binding Federal by a judgment against Breeze even if Federal were not named as a defendant, for a judgment is *res judicata* in a second action upon the same claim, not only where the second suit is between the same parties, but also where it is between those in privity with them.

This Court has in fact applied the principle of *res judicata* to circumstances strikingly similar to those here involved. In *Hart Steel Co. v. Railroad Supply Co.*, 244 U. S. 294, a patent infringement suit was brought in the Seventh Circuit by the patent owner against Hart Steel Co., a manufacturing company, and Wood, the company's manager. The Hart Co. was the selling agent of the Elyria Iron and Steel Co., which owned all the capital stock of the Hart Company. Three months later, the same plaintiff commenced a second patent infringement suit in the Sixth Circuit against the Elyria Co. The two bills differed only as to the parties defendant, and the same defenses were relied upon in each case. In each case the district court held that there was no infringement, and in each case the plaintiff appealed to the proper circuit court of appeals. The Sixth Circuit Court of Appeals rendered its decision first, affirming the judgment for defendant in the suit against Elyria. The Hart Co. and Wood, defendants in the Seventh Circuit suit, thereupon moved the Seventh Circuit Court of Appeals for a dismissal on the ground of *res judicata*. This motion was denied, and the circuit court of appeals then reviewed and reversed the decision of the district court. This Court held this to be error, because the decision of the C. C. A. 6th was *res judicata* as to the suit in the Seventh Circuit; and ruled that the motion to dismiss should have been granted. The Court, through Mr. Justice Clarke, stated (pp. 298-299):

There can be no doubt from the record before us that the Elyria Company owned all of the capital stock of the Hart Company, that the latter company was a mere sales agent of the former, that Wood was the salaried manager of the latter, that both the Hart Company and Wood were agents subject to the control of the Elyria Company and that in selling the tie-plates and as defendants in the litigation they acted wholly under the authority and in the interest of their principal. Identity of interest could not be clearer or closer than it was between the defendants in the two cases,—they represented precisely the same, single interest, and the Hart Company and Wood as agents of the Elyria Company were obviously and necessarily privies to the judgment rendered in its favor in the Circuit Court of Appeals for the Sixth Circuit. * * *

This case would seem controlling in the instant case. The same privity exists here between Breeze and Federal, in view of Breeze's ownership of the capital stock of Federal, and their relationship of principal-sales agent.

There being identity of issues and subject matter, and the requisite privity of parties, the decision of the three-judge court in New Jersey, under the rule in the *Hart Steel Co.* case, was *res judicata* in the Pennsylvania action even though Federal was not served in the New Jersey action. Federal's refusal to appear voluntarily in the New Jersey injunction suit cannot defeat applica-

tion of the doctrine of *res judicata*, "a rule of fundamental and substantial justice" (*Hart Steel Co. v. Railroad Supply Co.*, 244 U. S. at 299). For the close relationship between Federal and Breeze was sufficient to subject Federal to a duty to appear and defend its interests in the suit. Cf: *Robbins v. Chicago City*, 4 Wall. 657, 672.

IV

THE JURISDICTION OF THE COURTS BELOW AND OF THIS COURT UNDER THE ACT OF AUGUST 24, 1937

This Court, by its orders entered May 22 and October 16, 1944, postponed further consideration of the question of its jurisdiction to the hearing of the cases on the merits. Accordingly, although we pressed no objections to jurisdiction in the lower courts, save the want of a case or controversy, we shall discuss the application to these cases of section 3 of the Act of August 24, 1937, c. 754, § 3, 50 Stat. 752, 28 U. S. C. 380a.

Appellant's application to enjoin the defendants Federal and Breeze from complying with the Royalty Adjustment Orders on the ground that the Royalty Adjustment Act under which they were issued is unconstitutional, was in each case heard and determined by a specially constituted three-judge district court designated pursuant to Section 3 of the Act of August 24, 1937. (See No.

71, R. 61; No. 485, R. 52, 65.) Section 3 of that Act provides, in part:

No interlocutory or permanent injunction suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress upon the ground that such Act or any part thereof is repugnant to the Constitution of the United States shall be issued or granted by any district court of the United States, or by any judge thereof, or by any circuit judge acting as district judge, unless the application for the same * * * shall be heard and determined by three judges, of whom at least one shall be a circuit judge. * * * An appeal may be taken directly to the Supreme Court of the United States upon application therefor or notice thereof within thirty days after the entry of the order, decree, or judgment granting or denying, after notice and hearing, an interlocutory or permanent injunction in such case.

There are two grounds upon which the propriety of convening a district court of three judges in the instant cases and the taking of direct appeals to this Court may possibly be questioned:

(1) The injunctions sought in these cases were not against any agency, officer, or employee of the United States; (2) the judgment of the district court for New Jersey and the order of the district court for Western Pennsylvania did not actually

pass on the validity of the act of Congress assailed by appellant.

A. The three-judge court was proper although the injunction was sought against nongovernment defendants

The suits were directed solely against private parties. This circumstance does not, in our view, render inapplicable the provisions of Section 3 of the 1937 Act. The terms of the section embrace these cases, since an injunction was sought which would suspend the operation or execution of the Royalty Adjustment Act as it had been directed against the defendants through the administrative orders. This conclusion is strengthened by contrasting the language of section 3 with one of its obvious analogues, Section 266 of the Judicial Code (28 U. S. C. 380). Sen. Rep. No. 963, 75th Cong., 1st Sess. (1937), 4; 81 Cong. Rec. 8703. Section 266, unlike section 3 of the 1937 Act, is expressly limited to suits brought to restrain the execution or enforcement of a state statute "by restraining the action of any officer of such State in the enforcement or execution of such statute * * *". Under Section 266 a suit between private parties, even though having the effect of suspending the operation of a state statute, is not a proper case for three judges. *Oklahoma Gas and Electric Co. v. Oklahoma Packing Co.*, 292 U. S. 386. Moreover, the term "setting aside" appearing in section 3 is not found in sec-

tion 266. This Court has had occasion to point out that variations between section 266 and section 3 of the 1937 Act are deliberate. *Jameson & Co. v. Morgenthau*, 307 U. S. 171, 173. In that case the Court held that an attack on the validity of an order, not dependent on the invalidity of the basic statute, is not governed by section 3, in view of the omission of the language dealing with that situation which is found in section 266.

Another analogue for section 3 was the Urgent Deficiencies Act of 1913 (28 U. S. C. 47). Sen. Rep. No. 963, 75th Cong., 1st Sess. (1937), 4. That statute similarly prohibits the granting of any "interlocutory injunction suspending or restraining the enforcement, operation, or execution of, or setting aside," any order of the Interstate Commerce Commission unless application is made before a specially constituted three-judge district court. And this Court, in considering the application of the Urgent Deficiencies Act to suits between private parties, has given it a broad construction. In *Lambert Co. v. B. & O. R. R. Co.*, 258 U. S. 377, this Court held that an application by a shipper to enjoin a railroad from complying with certain orders of the Interstate Commerce Commission could only be heard by a three-judge district court. Again, in *Venner v. Michigan Central R. R. Co.*, 271 U. S. 127, where a minority stockholder sought to enjoin a railroad from purchasing equipment as permitted by a Commission order which the stockholder assailed as invalid,

this Court held that the suit could only be brought under the Urgent Deficiencies Act. In the latter case, this Court observed that the stockholder's prayer that the railroad be enjoined from complying with the order was "equivalent to asking that the order be adjudged invalid and set aside" (271 U. S. at 130). So here, appellant's application to enjoin Breeze and Federal from complying with the Royalty Adjustment Orders on the ground that the underlying Act is invalid, would require the issuance of an injunction "setting aside" the Orders and Act, and would thus seem to be within the coverage of Section 3 of the Act of August 24, 1937.

The legislative history of section 3 throws no direct light on the question. Section 3 of the Act of August 24, 1937, was introduced by the Senate Judiciary Committee after Sections 1 and 2²⁹ had been thoroughly debated in both the House and Senate, and thus received almost no attention on the floor of Congress. Sen. Rep. No. 963, 75th Cong., 1st Sess. (1937), 4 (Report of the Senate Judiciary Committee on H. R. 2260). But from

²⁹ Section 1 of that Act provides for the intervention of the Government in any suit or proceeding in which the constitutionality of an act of Congress is "drawn in question" in any court of the United States. Section 2 provides that an appeal may be taken directly to the Supreme Court of the United States by the United States in any suit in which "the decision is against the constitutionality of any Act of Congress."

the discussion of other bills introduced to effect a similar purpose³⁰ the conclusion may be drawn that the evil sought to be cured was the risk of a wasteful suspension of the operation of Government agencies by the decision of a single judge.³¹

For practical purposes, with which Congress was concerned, the issuance of an injunction suspending compliance with a federal statute on the ground of its unconstitutionality is not to be distinguished from the issuance of an injunction directed in terms against enforcement by federal officers. The safeguard which a court of three judges was deemed to provide against ill-considered action by a single judge is important in either type of case. Indeed, one of the most vexatious problems with which Congress was faced in considering the 1937 Act was the issuance of injunctions suspending the operation of federal statutes in litigation to which the United States or its officers were not parties. Cf. *Moor v. Texas and New Orleans R. R. Co.*, 297 U. S. 101; *Duke*

³⁰ H. R. 4899, 81 Cong. Rec. 1390 (1937) (limiting the jurisdiction of district and circuit courts with respect to injunctions against acts of Congress on the grounds of their unconstitutionality); S. 1174, 81 Cong. Rec. 482 (1937) (prohibiting district and circuit courts from issuing injunctions against acts of Congress until such have been declared invalid by the Supreme Court); H. R. 3895, 81 Cong. Rec. 342 (1937) (limiting the powers of federal courts respecting legislation by Congress).

³¹ Sen. Doc. No. 182, 74th Cong., 2d Sess., (1936) 23; Sen. Doc. No. 44, 75th Cong., 1st Sess., (1937); 81 Cong. Rec. 259, 479 (1937).

Power Co. v. Greenwood County, 299 U. S. 259 (Federal Administrator intervened); *Burco, Inc. v. Whitworth*, 81 F. 2d 721 (C. C. A. 4), certiorari denied, 297 U. S. 724; *California Water Service Co. v. City of Redding*, 304 U. S. 252. The last-cited case was brought after the 1937 Act. Although no federal officers were made defendants, a three-judge court decided the case, and this Court held that the court had been improperly constituted not because the suit was in form one between private parties but because there was no substantial federal question.

The case of *International Ladies' Garment Workers' Union v. Donnelly Garment Co.*, 304 U. S. 243, is not, in our judgment, an authority against the propriety of a three-judge court in the present cases. There the plaintiff company sued to enjoin the Union from engaging in conduct alleged to violate the antitrust laws. The company contended that the Norris-LaGuardia Act, prohibiting injunctions in the federal courts in cases involving labor disputes, was inapplicable, and if applicable would be unconstitutional. A court of three judges was convened under Section 3 of the 1937 Act, and it ruled that the Norris-LaGuardia Act was inapplicable and issued an injunction. On direct appeal to this Court, it was decided that the three-judge court had been improperly convened. There, however, as the Court pointed out, the contention with respect to the Norris-LaGuardia Act was merely an anticipa-

tion of a defense to the jurisdiction of the court and not an application for an injunction within the meaning of Section 3. Moreover, there could have been no interference in that case with the administration of a federal statute, since the Norris-LaGuardia Act was self-operating and merely constituted a defense to an application for injunctive relief. The present case would be more nearly comparable to the *Donnelly* case if the impact of the Royalty Adjustment Act were merely to provide a defense to an action by the plaintiff for royalties. But the Act, and the relief sought in the present case, go farther. The Act and the orders pursuant thereto require payment to the United States, and compliance therewith would be restrained by the injunctive relief sought.

*B. Direct Appeal to This Court was Proper
Although the Decision Below Rested
on Nonconstitutional Grounds*

Section 3 of the 1937 Act provides for a direct appeal to this Court from a judgment "granting or denying * * * an interlocutory or permanent injunction in such case," that is, in case of an application for injunction "suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress upon the ground that such Act or any part thereof is repugnant to the Constitution." The judgment and order from which the present

appeals were taken dismissed the complaints on nonconstitutional grounds. It is our position that if the three-judge court was properly convened, the appeals to this Court were proper regardless of the basis of the decisions below.

Similar situations have arisen under Section 266 of the Judicial Code, which in this respect appears to be identical with Section 3 of the 1937 Act. In *Sterling v. Constantin*, 287 U. S. 378, 393-394, the three-judge court based its decision dismissing the complaint on grounds of state law. On direct appeal, this Court discussed the jurisdictional question, took jurisdiction, and placed its decision on constitutional grounds. In *Buck v. Gallagher*, 307 U. S. 95, the three-judge court dismissed the bill for want of the requisite jurisdictional amount. On direct appeal this Court took jurisdiction, reviewed the question decided below, reached a different conclusion, and reversed and remanded to the three-judge court. We think that these decisions are sound and should be followed here. It is not to be supposed that Congress intended to provide for appeal from a three-judge court to a circuit court of appeals.³² It is true that in some cases this Court has approved appeals from a three-judge court to a circuit court of appeals; but in those instances the three-judge court was held to have been improperly convened, and the appeal was

³² Cf. 51 Harvard Law Review 577, 618 n. 73.

regarded as one from the decision of a single judge. *Public Service Commission v. Brashear Freight Lines, Inc.*, 312 U. S. 621, 625-626; *Wilentz v. Sovereign Camp*, 306 U. S. 573. Those cases rest on the circumstance that appeal to the circuit court of appeals rectified the error in convening the three-judge court.

It follows that the appeals to this Court in the present cases were proper unless the district court was mistakenly constituted. We have indicated above (*supra*, pp. 61-66) the reasons for maintaining that the court was a proper one. One further possible objection to the three-judge court may be noted, namely, that the federal question appeared from the face of the pleadings to be plainly without substance because of lack of equity or of jurisdiction. Where the federal question is itself plainly unsubstantial (*Ex parte Poresky*, 290 U. S. 30) or where it is plainly not presented for decision because of preliminary procedural obstacles (*California Water Service Co. v. City of Redding*, 304 U. S. 252) a district judge is not obliged to convene a three-judge court. In the present case, we do not think that it is necessary to decide whether the lack of equity or of jurisdiction was so plain that a single judge should have dismissed the bills. The three-judge court in each instance did dismiss the bill, and affirmance by this Court will effectively dispose of the litigation on proper grounds. To vacate the decrees below in order that appeals might be taken to the circuit

court of appeals would be self-defeating if the only reason for so doing is that the complaints did not present a substantial federal question for decision. In the *Redding* case, *supra*, this Court affirmed the decree of dismissal by a three-judge court in similar circumstances.

CONCLUSION

For the foregoing reasons the judgments below should be affirmed.

Respectfully submitted.

✓ CHARLES FAHY,

✓ *Solicitor General*

✓ FRANCIS M. SHEA,

Assistant Attorney General.

✓ PAUL A. FREUND,

DAVID L. KREEGER,

Special Assistants to the Attorney General.

✓ JEROME H. SIMONDS,

Attorney.

DECEMBER 1944.

APPENDIX A

The Royalty Adjustment Act of October 31, 1942 (56 Stat. 1013, 35 U. S. C. Supp. III, 89-96) reads as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, to aid in the successful prosecution of the War, whenever an invention, whether patented or unpatented, shall be manufactured, used, sold, or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder, and such license includes provisions for the payment of royalties the rates or amounts of which are believed to be unreasonable or excessive by the head of the department or agency of the Government which has ordered such manufacture, use, sale, or other disposition, the head of the department or agency of the Government concerned shall give written notice of such fact to the licensor and to the licensee. Within a reasonable time after the effective date of said notice, in no event less than ten days, the head of the department or agency of the Government concerned, shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production, and shall authorize the payment thereof by the licensee to the licensor on account of such manufacture, use, sale, or other disposition: *Provided, however, That the licensee or licensor, if he**

so requests within ten days from and after the effective date of said notice, may within thirty days from the date of such request present in writing or in person any facts or circumstances which may, in his opinion, have a bearing upon the rates or amounts of royalties, if any, to be determined, fixed and specified as aforesaid, and any order fixing and specifying the rates and amounts of royalties shall be issued within a reasonable time after such presentation. Such licensee shall not after the effective date of said notice pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition. The licensor shall not have any remedy by way of suit, set-off, or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such licensor's sole and exclusive remedy, except as to the recovery of royalties fixed in said order, shall be as provided in section 2 hereof. Written notice as provided herein shall be mailed to the last known address of the licensor and licensee and shall be effective upon receipt or five days after the mailing thereof, whichever date is the earlier.

SEC. 2. Any licensor aggrieved by any order issued pursuant to section 1 hereof, fixing and specifying the maximum rates or amounts of royalties under a license issued by him, may institute suit against the United States in the Court of Claims, or in the District Courts of the United States insofar as such courts may have concurrent jurisdiction with the Court of Claims, to

recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of war-time production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixty of the Revised Statutes, or otherwise.

SEC. 3. The head of any department or agency of the Government which has ordered the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, and whether or not an order has been issued in connection therewith pursuant to section 1 hereof, is authorized and empowered to enter into an agreement, before suit against the United States has been instituted, with the owner or licensor of such invention, in full settlement and compromise of any claim against the United States accruing to such owner or licensor under the provisions of this Act or any other law by reason of such manufacture, use, sale, or other disposition, and for compensation to be paid such owner or licensor based upon future manufacture, use, sale, or other disposition of said invention.

SEC. 4. Whenever a reduction in the rates or amounts of royalties is effected by order, pursuant to section 1 hereof, or by compromise or settlement, pursuant to section 3 hereof, such reduction shall inure to the benefit of the Government by way of a corresponding reduction in the contract price.

to be paid directly or indirectly for such manufacture, use, sale, or other disposition of such invention, or by way of refund if already paid to the licensee.

SEC. 5. The head of the department or agency of the Government concerned is further authorized, in his discretion and under such rules and regulations as he may prescribe, to delegate and provide for the delegation of any power and authority conferred by this Act to such qualified and responsible officers, boards, agents, or persons as he may designate or appoint.

SEC. 6. For the purposes of this Act, the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government shall be construed as manufacture, use, sale, or other disposition for the United States and for the purposes of the Act of June 25, 1910, as amended (40 Stat. 705; 35 U. S. C. 68), the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

SEC. 7. This Act shall apply to all royalties directly or indirectly charged or chargeable to the United States for any supplies, equipment, or materials to be delivered to or for the Government from and after the effective date of the notice provided for in section 1 hereof. This Act shall also apply to all royalties charged or chargeable di-

rectly or indirectly to the United States for supplies, equipment, or materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of the notice provided for in section 1 hereof. Sections 1 and 2 of this Act shall remain in force only during the continuance of the present war and for six months after the termination thereof, except that as to rights accrued or liabilities incurred prior to termination thereof, the provisions of this Act shall be treated as remaining in force and effect for the purpose of settling, sustaining, qualifying, or defeating any suit or claim hereunder.

SEC. 8. The head of each department or agency of the Government may issue such rules and regulations and require such information as may be necessary and proper to carry out the provisions of this Act. The provisions of section 10 (e) of an Act approved July 2, 1926 (44 Stat. 787), as amended, and title XIII of Public Law 507, Seventy-seventh Congress, shall be applicable to the owner, licensor, or licensee of an invention, whether patented or unpatented, manufactured, used, sold, or otherwise disposed of for the United States, and the term "defense contract" as used in said Act shall mean and include an agreement for the payment of royalty, regardless of the date of such agreement, under or by virtue of which royalty is directly or indirectly paid by the Government or included within the contract price for property sold to or manufactured for the Government.

SEC. 9. Nothing herein contained shall be deemed to preclude the applicability of Sec-

tion 403 of Public Law 328, Seventy-seventh Congress, as the same may be heretofore or hereafter amended so far as the same may be applicable.

SEC. 10. If any provision of this Act or the application of any provision to any person or circumstance shall be held invalid, or if any provision of this Act shall be inoperative by its terms, the validity or applicability of the remainder of the Act shall not be affected thereby.

APPENDIX B

Section 3 of the Act of August 24, 1937 (c. 754, § 3, 50 Stat. 752, 28 U. S. C. 380a).

No interlocutory or permanent injunction suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress upon the ground that such Act or any part thereof is repugnant to the Constitution of the United States shall be issued or granted by any district court of the United States, or by any judge thereof, or by any circuit judge acting as district judge, unless the application for the same shall be presented to a circuit or district judge, and shall be heard and determined, by three judges, of whom at least one shall be a circuit judge. When any such application is presented to a judge, he shall immediately request the senior circuit judge (or in his absence, the presiding circuit judge) of the circuit in which such district court is located to designate two other judges to participate in hearing and determining such application. It shall be the duty of the senior circuit judge or the presiding circuit judge, as the case may be, to designate immediately two other judges from such circuit for such purpose, and it shall be the duty of the judges so designated to participate in such hearing and determination. Such application shall not be heard or determined before at least five days' notice of the hearing has been given to the Attorney General and to such other persons as may be defendants in the suit:

Provided, That if of opinion that irreparable loss or damage would result to the petitioner unless a temporary restraining order is granted, the judge to whom the application is made may grant such temporary restraining order at any time before the hearing and determination of the application, but such temporary restraining order shall remain in force only until such hearing and determination upon notice as aforesaid, and such temporary restraining order shall contain a specific finding, based upon evidence submitted to the court making the order and identified by reference thereto, that such irreparable loss or damage would result to the petitioner and specifying the nature of the loss or damage. The said court may, at the time of hearing such application, upon a like finding, continue the temporary stay or suspension, in whole or in part, until decision upon the application. The hearing upon any such application for an interlocutory or permanent injunction shall be given precedence and shall be in every way expedited and be assigned for a hearing at the earliest practicable day. An appeal may be taken directly to the Supreme Court of the United States upon application therefor or notice thereof within thirty days after the entry of the order, decree, or judgment granting or denying, after notice and hearing, an interlocutory or permanent injunction in such case. In the event that an appeal is taken under this section, the record shall be made up and the case docketed in the Supreme Court of the United States within sixty days from the time such appeal is allowed, under such rules as may be prescribed by the proper

courts. Appeals under this section shall be heard by the Supreme Court of the United States at the earliest possible time, and shall take precedence over all other matters not of a like character. This section shall not be construed to be in derogation of any right of direct appeal to the Supreme Court of the United States under existing provisions of law.

APPENDIX C

Letters From The Royalty Adjustment Board
Explaining Methods of Collecting royalties under
the Act.

(1)

WAR DEPARTMENT ESSENTIAL OFFICIAL
AIR MAIL

TSXRA

ARMY AIR FORCES

Headquarters

Air Technical Service Command

Capt. E. H. Cassels:

mdg: 1002- Extn. 3-6348.

Director

AAF ATSC

Office, The Judge Advocate,
Patents and Royalties Section
Wright Field, Dayton, Ohio

WRIGHT FIELD,

Dayton, Ohio, 14 November 1944.

Attn: Royalty Adjustment Board.

Subject: Roscoe A. Coffman vs. Breese
Corporations, Inc.

To: The Solicitor General,
Department of Justice,
Washington, D. C.

Attention: Mr. David L. Kreeger.

1. This letter confirms and supplements telephone conversations held on 13 November 1944 between Mr. David L. Kreeger of your office and Lt. Colonel Charles R. Fenwick, a member of the Royalty Adjustment Board (hereinafter referred to as the Board), and Captain E. H. Cassels, assistant to the Board, relative to the above case.

2. The Board made formal requests of Breeze Corporations, Inc. (hereinafter referred to as Breeze) to refund to the Government royalties due it pursuant to Royalty Adjustment Orders #W-9 and #N-7. Breeze failed to comply with these requests. Thereupon the Board under date of 5 August 1944 requested the Finance Officer, U. S. Army, New York, New York to withhold monies due Breeze until the sum of \$285,307.00, an amount based on information then available to the Board estimated to be due by Breeze to the United States as of 31 May 1944 pursuant to the orders above mentioned, had been withheld. The Finance Officer informed the Board that as of 4 September 1944, \$59,942.60 had been so withheld.

3. Mr. Edward J. O'Mara of the law firm of Wall, Haight, Carey & Hartpence, attorneys for Breeze, on or about 5 October 1944, inquired by telephone as to what arrangements, if any, could be made whereby his client, Breeze, could comply with the Royalty Adjustment Orders above mentioned and not be prejudiced in the event the Royalty Adjustment Act of 1942 is held invalid. He was advised that in those cases in which the amounts due the Government under orders of the Board are uncertain or disputed or otherwise in doubt, the Board has adopted the policy of arranging to have any monies paid in such cases deposited in a "Special Deposit" account pending determination of the rights of the Government and the licensor to such funds. It was explained to Mr. O'Mara that funds placed in this account are not covered into the Treasury of the United States as other funds, but that upon a final determination of the rights of the

Government and the licensor to such funds, disbursement of the funds in the "Special Deposit" account could be made pursuant to an administrative direction of the Board; that the funds or such part thereof, if any, due the United States could be covered into the Treasury of the United States as "Miscellaneous Receipts", and the part thereof due the licensor could be returned to it. This telephone conversation was confirmed by letter under date of 5 October 1944 to Breeze with a copy thereof to Mr. O'Mara. A copy of the letter is herewith inclosed.

4. The records of this Board do not show payment of any sums directly by Breeze to the Government pursuant to the orders hereinabove mentioned.

5. Where the Government effects a collection by withholding from one of its contractors and it is later determined that the withholding is improper, the contractor is entitled under his contract to receive the sums so withheld. From the foregoing it is clear that Breeze would not be prejudiced either by paying the amounts due under the Royalty Adjustment Orders into a "Special Deposit" account nor by having those amounts withheld by the Finance Officer from any sums due it from the Government on account of goods sold or services rendered.

For the Director:

/s/ J. C. BURTON
J. C. Burton,
Colonel, J. A. G. D.,
Chairman,
Royalty Adjustment Board.

1 Incl.

Copy of this Board's ltr dtd 5 October 1944.

(2)

Director
ATSC

Air Technical Service Command

TSXRA

Capt. E. H. Cassels
bjk Ext: 2-7100

5 OCTOBER 1944

Royalty Refunds due the United States
under Royalty Adjustment Orders W-9
and N-7.

Breeze Corporation, Incorporated
24 South Sixth Street
Newark, New Jersey

Attention: Mr. Fred J. Shupp, Treasurer.

1. This Board this day received a telephone call from Mr. Edward J. O'Mara, of counsel for your company. Mr. O'Mara asked what arrangements could be made so that your company could properly comply with Royalty Adjustment Orders W-9 and N-7 and yet be protected from having to make the same payments again to Mr. Coffman in the event that the Royalty Adjustment Act 1942 were declared invalid by the United States Supreme Court in pending litigation.

2. The payments due under the foregoing orders can be made by checks payable to "Treasurer of the United States" and forwarded to the Director, Army Air Forces, Air Technical Service Command, Wright Field, Dayton, Ohio, Attention: Royalty Adjustment Board. The check will reach this Board and will be deposited in the Government's "Special Deposit Account" pending the outcome of the current Coff-

man litigation, its disposition depending upon the outcome of that suit.

3. As soon as the royalty refund payments are brought up to date, the Board will order the release to you of the moneys withheld by the Finance Officer at New York.

J. C. BURTON,
Colonel, J. A. G. D.,
Chairman, Royalty Adjustment Board.
cc: To Mr. Edward J. O'Mara.

SUPREME COURT OF THE UNITED STATES.

No. 71.—OCTOBER TERM, 1944.

Roscoe A. Coffman, Appellant, vs. Breeze Corporations, Inc. and the United States of America.	} Appeal from the District Court of the United States for the District of New Jersey.
--	--

[January 2, 1945.]

Mr. Chief Justice STONE delivered the opinion of the Court.

The question is whether this suit, brought in the District Court by appellant, a patent owner, to enjoin ~~the~~ licensees from paying accrued royalties to the Government under the Royalty Adjustment Act of October 31, 1942, 56 Stat. 1013, 35 U. S. C. Supp. III, §§ 89-96, and attacking the constitutionality of the Act, was rightly dismissed for want of equity jurisdiction and for want of a justiciable case or controversy.

Appellant brought the present suit in the District Court for New Jersey, joining as defendants Federal Laboratories, Inc., a Delaware corporation, and appellee Breeze Corporations, Inc., a New Jersey corporation. Federal was not served with process and did not appear, and the cause has proceeded against appellee Breeze alone. The case being one in which the constitutionality of an Act of Congress is challenged and in which a preliminary and final injunction is asked restraining "the enforcement, operation, or execution of, or setting aside in whole or in part" of an Act of Congress on the ground of its unconstitutionality, a court of three judges was convened to hear the cause pursuant to § 3 of the Act of August 24, 1937, 50 Stat. 752, 28 U. S. C. § 380(a).¹

¹ The District Court of three judges was rightly convened, although the suit was brought against private parties not public officers. Unlike § 266 of the Judicial Code, 28 U. S. C. § 380, the Act of August 27, 1937 does not restrict its requirement for the assembly of a District Court of three judges to suits against public officers. See *Oklahoma Gas & Electric Co. v. Oklahoma Packing Co.*, 292 U. S. 386. Section 3 of the Act of 1937 directs that a court of three judges is to be convened whenever an interlocutory or permanent injunction is sought "suspending or restraining the enforcement, operation, or execution of, or setting aside, in whole or in part, any Act of Congress" upon the ground that it is repugnant to the Constitution. This language appears to have been taken from the Urgent Deficiencies Act of 1913, 28

Appellee Breeze answered. Upon appropriate proceedings had under 50 Stat. 751, 28 U. S. C. § 401, the United States was permitted to intervene as a party. Thereupon the District Court granted the Government's motion to dismiss the suit for want of equity jurisdiction and of a justiciable case or controversy. 55 F. Supp. 501. The case comes here on appeal under § 3 of the Act of August 4, 1937, c. 754, 50 Stat. 752, 28 U. S. C. § 380(a), authorizing direct appeals to this Court in a case where a district court of three judges convened pursuant to the section has entered "judgment granting or denying, after notice and hearing, an interlocutory or permanent injunction in such case".

The facts appear from the pleadings and by stipulation, and are admitted for the purposes of the motion. Appellant, the owner of a United States patent covering an improvement upon a device for use in starting a combustion motor, and shells for use with the device, entered into an agreement licensing Federal to manufacture and sell the patented device at a royalty of 6% of the licensee's selling price of the device and its parts. At some time before July 1937, appellee Breeze acquired all of Federal's outstanding shares of capital stock and has since controlled its business and policies. In 1937 it entered into a contract, since renewed and continued with Federal, whereby the latter engaged Breeze as its exclusive "sales agent and distributor" to manufacture and sell the patented device. Breeze began the manufacture and sale of the patented device, and from the allegations of the bill of complaint it appears, inferentially at

U. S. C. § 47. Its choice of language, differing from that of § 206 of the Judicial Code, must be taken to be deliberate. See *Jameson & Co. v. Morganthau*, 307 U. S. 171, 173.

Here the injunction sought would restrain appellee from payment of the royalties into the Treasury as required by the Act of Congress and would thus restrain the "operation" or "execution" of the statute. Like interpretation has been given to the like language of the Urgent Deficiencies Act of 1913. See *Lambert Co. v. B. & O. R. R. Co.*, 258 U. S. 377; *Venner v. Michigan Central R. R. Co.*, 271 U. S. 127.

International Ladies' Garment Workers' Union v. Donnelly Garment Co., 304 U. S. 245, is to be distinguished from the present case. There an injunction was sought against a labor union for violation of the anti-trust laws, the plaintiff appellee contending that the Norris-LaGuardia Act, 47 Stat. 70, 29 U. S. C. § 101, was inapplicable or, if applicable, unconstitutional. This Court held that a district court of three judges was unauthorized by § 3 of the 1937 Act, since the contention with respect to the Norris-LaGuardia Act was not an application for an injunction within the meaning of § 3 but merely an anticipation of a defense going to the jurisdiction of the Court. Even though the Norris-LaGuardia Act were applicable, it could not, if unconstitutional, operate as a defense, and no case was made for an injunction.

least, that it has been engaged to some extent, not disclosed, in supplying the War and Navy Departments with the patented device under government contracts.

The Royalty Adjustment Act provides that whenever a patented device is "manufactured, used, [or] sold . . . for the United States" under a license stipulating for payment of royalties "believed to be unreasonable or excessive" by the head of the government agency concerned, he "shall give written notice of such fact to the licensor and to the licensee". It provides that within a reasonable time thereafter the head of the agency "shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production". The Act directs the licensee, after the effective date of the notice, not to "pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale or other disposition".

The Act deprives the licensor of "any remedy . . . against the licensee for the payment of any additional royalty remaining unpaid". It provides that his "sole and exclusive remedy, except as to the recovery of royalties fixed in said order" is a suit against the United States "to recover such sum, if any, as, when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production". By § 7 the Act is made applicable "to all royalties directly or indirectly charged or chargeable to the United States" which "have not been paid to the licensor prior to the effective date of the notice", as well as to royalties accruing upon all articles delivered after the effective date. By § 4 any reduction in royalties authorized by the Act is to "inure to the benefit of the Government by way of a corresponding reduction in the contract price to be paid . . . or by way of refund if already paid to the licensee".

Pursuant to § 1 of the Act the Navy Department on February 24, 1945, gave notice to appellant, appellee Breeze and Federal that the royalties provided for by the license contract "now being paid directly or indirectly" under contracts in which Federal or Breeze "is either a prime contractor or a subcontractor

are believed to be unreasonable or excessive." The notice directed that, until a royalty adjustment order should be issued under the Act, "no royalties should be paid on account of the manufacture, use, [or] sale . . . for the United States" of the patented device. A similar notice was given by the War Department to the same parties on March 3, 1943. In December, 1943, the War and Navy Departments issued royalty adjustment orders under § 1 of the Act, purporting to reduce to specified amounts, declared to be "fair and just", the royalties accruing on the manufacture and sale of the patented device for the War and Navy Departments, with maximum royalties of \$50,000 per year commencing January 1, 1943. The orders further directed Federal and Breeze to pay to the Treasurer of the United States "the balance in excess" of the royalty payments authorized by the orders "which were due to Licensor and were unpaid on the effective date" of the notice, or which might thereafter become due to the licensor.

According to the bill of complaint there are large amounts due and owing to appellant as royalties under its license contract with Federal and the contract between Federal and Breeze. It also appears that appellant has brought a separate suit in the United States District Court for New Jersey against Breeze and Federal for an accounting for the royalties said to be due to appellant, in which Breeze alone was served by process and has appeared and answered. The cause is at issue, and the court has ruled that appellant recover all royalties which have accrued or may accrue to the date of trial.

The answer of appellee Breeze in the present suit denies that it owes any royalties to appellant. It alleges that whether the Royalty Adjustment Act is valid or invalid is a matter which is immaterial to appellee for the reason that it owes appellant no money as royalties or otherwise. In the present suit appellant asks no judgment for the recovery of the royalties alleged to be due from Federal and appellee Breeze. It seeks only an adjudication that the Royalty Adjustment Act and the orders purporting to be made in conformity to it are unconstitutional as applied to appellant, and asks an injunction restraining Breeze and Federal from complying with the Act and the orders by paying any part of the royalties into the Treasury or to any person other than appellant.

We agree with the conclusion of the District Court below that appellant's bill of complaint states no cause of action in equity and presents no case or controversy within the judicial power of the United States as defined by § 2 of Article III of the Constitution.

The only rights asserted as the basis for the relief sought by appellant are derived from the license agreements. Those agreements, so far as now appears and as we assume for present purposes, are contractual obligations to pay the stipulated royalties. As they accrue, the royalties become simple debts recoverable in an action at law, or possibly, where the accounts are complicated, in a proceeding for an accounting such as appellant has already begun in its separate suit pending in the District Court of New Jersey. *Kirby v. Lake Shore, etc., R. R.*, 120 U. S. 130; *United States v. Old Settlers*, 148 U. S. 427, 465.

Appellant does not in the present suit bring to our attention any facts showing or tending to show that a suit to recover a money judgment for the royalties would not afford complete and adequate relief without resort to an equitable remedy. In such a suit if appellee Breeze is obligated by the contracts in question to pay the royalties to appellant, ~~it~~ can discharge that obligation only by payment of the amount due, or by setting up the Royalty Adjustment Act as a defense. Compliance with the duty under the Act to pay into the Treasury the royalties withheld from appellant would operate by the terms of the Act as a discharge of the obligation to pay appellant. If that defense were offered, the constitutional validity of these provisions of the Act would be a justiciable issue in the case, since upon its adjudication would depend appellant's right of recovery.

But whether the provisions of the Act be valid or invalid appellants show no ground for equitable relief. If valid they would be a defense, and appellant would be entitled to no relief other than that afforded by the suit against the Government authorized by § 2 of the Act. If invalid, appellant's right to recover remains unimpaired. The sufficiency of the defense may be as readily tested in a suit at law to recover the royalties as by the present suit in equity to enjoin payment of the royalties into the Treasury. In either case appellant would receive all the relief to which it shows itself entitled.

The obligation to pay royalties, as we have said, appears to be no more than a debt. There is no contention that it is a fiduciary obligation to turn an earmarked fund over to appellant. The complaint does not indicate that if appellee is not enjoined it will pay the royalties into the Treasury, or, if it does, that appellee will be unable to respond to a judgment in appellant's favor. Appellant thus fails to assert any right of recovery at law in the present suit or to show that its remedy available at law is so inadequate as to entitle it to ask an equitable remedy. Section 267 of the Judicial Code (28 U. S. C. § 384) *Boise Artesian Water Co. v. Boise City*, 213 U. S. 276, 283; *Pusey & Jones Co. v. Hanssen*, 261 U. S. 491, 497; *Hurley v. Knickerbocker*, 285 U. S. 95, 105; *Schoenthal v. Irving Trust Co.*, 287 U. S. 92, 94.

So far as the present suit seeks a declaratory judgment or an injunction restraining payment of the royalties into the Treasury, it raises no justiciable issue. Appellant asserts in the present suit no right to recover the royalties. It asks only a determination that the Royalty Adjustment Act is unconstitutional and, if so found, that compliance with the Act be enjoined, an issue which appellee by its answer declines to contest. If contested the validity of the Act would be an issue which, so far as it could ever become material, would properly arise only in a suit to recover the royalties, where it could be appropriately decided.

In the circumstances disclosed by the record and for purposes of the present suit, the constitutionality of the Act is without legal significance and can involve no justiciable question unless and until appellant seeks recovery of the royalties, and then only if appellee relies on the Act as a defense. The prayer of the bill of complaint that the Act be declared unconstitutional is thus but a request for an advisory opinion as to the validity of a defense to a suit for recovery of the royalties. Appellee could have made such a defense but does not appear to have done so in the pending accounting suit and does not assert its validity here. The bill of complaint thus fails to disclose any ground for the determination of any question of law or fact which could be the basis of a judgment adjudicating the rights of the parties.

The declaratory judgment procedure is available in the federal courts only in cases involving an actual case or controversy, *Nashville, Chattanooga & St. Louis Railway Co. v. Wallace*, 288 U. S. 249, 258-264; *Acting Life Ins. Co. v. Haworth*, 300 U. S. 227, 239.

240, where the issue is actual and adversary, *Chicago & Grand Trunk Railway Co. v. Wellman*, 143 U. S. 339; *South Spring Gold Co. v. Amador Gold Co.*, 145 U. S. 300, 301, and it may not be made the medium for securing an advisory opinion in a controversy which has not arisen. *New Jersey v. Sargent*, 269 U. S. 328; *United States v. West Virginia*, 295 U. S. 463; *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288, 324; *Annington Manufacturing Co. v. Davis*, 301 U. S. 337, 355; *Electric Bond Co. v. Commission*, 303 U. S. 419, 443.

In any case the Court will not pass upon the constitutionality of legislation in a suit which is not adversary, *Chicago & Grand Trunk Railway v. Wellman*, *supra*; *Bartmeyer v. Iowa*, 18 Wall. 129, 134-35; *Atherton Mills v. Johnston*, 259 U. S. 13, 15; or upon the complaint of one who fails to show that he is injured by its operation, *Tyler v. The Judges*, 179 U. S. 405; *Hendrick v. Maryland*, 235 U. S. 610, 621, or until it is necessary to do so to preserve the rights of the parties. *Steamship Co. v. Immigration Commissioners*, 113 U. S. 33, 39; *Barton v. United States*, 196 U. S. 283, 295; *Abrams v. Van Schaick*, 293 U. S. 188; *Wylshire Oil Co. v. United States*, 295 U. S. 100.

Affirmed.